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1                   BEFORE THE WASHINGTON UTILITIES AND  
2                   TRANSPORTATION COMMISSION

3 In the Matter of the                   ) Docket No. TS-001774  
4 Applications of                        )                    )  
5 Dutchman Marine LLC d/b/a Lake) Volume V  
6 Washington Ferry Service,           ) Pages 550 - 732  
7 for Authority to Provide            )                    )  
8 Commercial Ferry Service;          )                    )  
9   ) (CONFIDENTIAL PORTIONS  
10 Seattle Ferry Service, LLC,         ) BOUND SEPARATELY)  
11 for Authority to Provide            ) Pages 595, 596, and  
12 Commercial Ferry Service; and      ) 599  
13   )  
14 Seattle Harbor Tours Limited        )  
15 Partnership, for Authority to      )  
16 Provide Commercial Ferry            )  
17 Service;                             )  
18 \_\_\_\_\_)                         )

12

13                   A hearing in the above matter was held on  
14 June 14, 2001, at 9:40 a.m., at 900 Fourth Avenue, Suite  
15 2400, Seattle, Washington, before Administrative Law  
16 Judges DENNIS J. MOSS and WILLIAM E. HENDRICKS.

17                   The parties were present as follows:

18                   DUTCHMAN MARINE LLC, by Matthew C. Crane,  
19 Attorney at Law, Bauer Moynihan & Johnson, 2101 Fourth  
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21                   Seattle Harbor Tours, by Gregory J. Kopta,  
22 Attorney at Law, Davis Wright Tremaine, LLP, 1501 Fourth  
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24                   The Commission, by Jonathan Thompson,  
25 Assistant Attorney General, 1400 South Evergreen Park  
Drive Southwest, Olympia, Washington 98504-0128.

24                   Joan E. Kinn, CCR, RPR  
25 Court Reporter

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1                   CITY OF SEATTLE, by Gordon Davidson,  
Assistant City Attorney, 600 Fourth Avenue, 10th Floor,  
2   Seattle, Washington 98104.

3                   CITY OF BELLEVUE, by Lori M. Riordan,  
Attorney at Law, 11511 Main Street, Bellevue, Washington  
4   98004.

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1	-----	
2	INDEX OF EXAMINATION	
3	-----	
4	WITNESS:	PAGE:
5	DANIEL DOLSON	
6	Cross-Examination by Mr. Kopta, continued	556
7	Cross-Examination by Mr. Davidson	560
8	Cross-Examination by Ms. Riordan	580
9	Cross-Examination by Mr. Thompson	593
10	Examination by Judge Hendricks	612
11	Examination by Judge Moss	616
12	Recross-Examination by Mr. Kopta	636
13	Examination by Judge Hendricks	640
14	Recross-Examination by Mr. Davidson	644
15	Recross-Examination by Mr. Kopta	645
16	Examination by Judge Hendricks	647
17	Redirect Examination by Mr. Crane	648
18	Recross-Examination by Mr. Kopta	661
19	Examination by Judge Hendricks	663
20	Redirect Examination by Mr. Crane	664
21	GARY HIBMA	
22	Direct Examination by Mr. Crane	667
23	Cross-Examination by Mr. Kopta	698
24	Examination by Judge Moss	716
25	Cross-Examination by Mr. Davidson	721

00553

1	Cross-Examination by Ms. Riordan	724
2	Cross-Examination by Mr. Thompson	726
3	Examination by Judge Moss	728
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

00554

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2 INDEX OF EXHIBITS

3 -----

4	EXHIBIT:	MARKED:	ADMITTED:
5	DUTCHMAN MARINE		
6	139-C	596	596
7	140-C	596	596
8	141-C	596	596
9	142	595	595
10	143	599	599
11	144	599	599
12	145	599	599
13	146	654	654
14	147	693	695
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

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P R O C E E D I N G S

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JUDGE HENDRICKS: We're here today on

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Thursday, June 14th, in the consolidated matters of the

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applications of Dutchman Marine LLC for Authority to

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Provide Commercial Ferry Service in Docket Number

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TS-001774 and Seattle Harbor Tours, I apologize, yeah,

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Seattle Harbor Tours Limited Partnership for Authority

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to Provide Commercial Ferry Service in Docket Number

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TS-002055. I will ask right now, are there any

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preliminary matters that we need to discuss before we

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proceed?

12

Hearing nothing, we left off yesterday

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afternoon with the cross-examination of Mr. Dolson,

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Mr. Daniel Dolson, and we will continue this morning

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with that testimony.

16

If you would please approach the Bench,

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Mr. Dolson.

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THE WITNESS: Yes, sir.

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JUDGE HENDRICKS: And Mr. Kopta.

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MR. KOPTA: Thank you, Your Honor.

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Whereupon,

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DANIEL DOLSON,

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having been previously duly sworn, was called as a

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witness herein and was examined and testified as

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1 follows:

2 C R O S S - E X A M I N A T I O N

3 BY MR. KOPTA:

4 Q. Good morning, Mr. Dolson.

5 A. Good morning.

6 Q. I just wanted to follow up on the last  
7 question that I asked you last night, which was whether  
8 in your view a route that Dutchman Marine has proposed  
9 from Renton to Leschi Park overlaps with the proposed  
10 route that Seattle Harbor Tours has in its application  
11 from Renton to the University of Washington. Did you  
12 have a chance to review your notes?

13 A. I did.

14 Q. And what's your conclusion?

15 A. My conclusion is that it would impact the  
16 ridership of Dutchman Marine if a second route were  
17 granted to the University of Washington by giving access  
18 to downtown via transit connections.

19 Q. And that is based on the fact that Seattle  
20 Harbor Tours also has the certificate from the  
21 University of Washington to south Lake Union; is that  
22 correct?

23 A. That's more based on the transit connections  
24 at the University of Washington themselves rather than  
25 south Lake Union.

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1 Q. Okay. So the fact that the University of  
2 Washington is accessible from downtown you believe  
3 impacts the customers that you are planning to draw on  
4 from downtown Seattle; is that correct?

5 A. Yes, I do.

6 Q. Well, that puzzles me a bit, because I  
7 thought that you said that your analysis was based on a  
8 single bus run, and as far as I know, that particular  
9 bus run doesn't go to the University of Washington. Am  
10 I mistaken?

11 A. No, it does not go to the University. It  
12 goes to the central business district of Seattle.

13 Q. So even though your analysis is confined to  
14 that bus run, it's your contention that there are  
15 additional passengers that you haven't considered  
16 specifically but that might possibly be served by your  
17 system in and around the University of Washington?

18 A. If you were to -- remember I'm using three  
19 quarters of a mile walking radius from bus stops,  
20 shuttle stops for the routes serving downtown and covers  
21 a significant portion of the central business district.  
22 It would impact Dutchman Marine's ridership should an  
23 alternative form of -- should a second route be  
24 implemented to the University of Washington.

25 Q. Well, that's very interesting, because we

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1 have a settlement or at least a partial settlement  
2 agreement in this case with Seattle Ferry Service; isn't  
3 that correct?

4 A. Yes.

5 Q. And they're proposing to go from Port  
6 Quendall to south Lake Union; is that your  
7 understanding?

8 A. Yes, it is.

9 Q. So would you explain to me why it is that  
10 that route doesn't overlap with the one that you  
11 proposed?

12 A. Mr. Kezner's application for Seattle Ferry  
13 Service is, well, his market I guess, is targeted  
14 primarily at the executives, as he told me, would go  
15 between the business area of south Lake Union to Port  
16 Quendall. And that is, first of all, Port Quendall is  
17 I'm guessing one or two miles, maybe three, north of the  
18 Southport development. First of all, it's not even the  
19 same access area. Remember we're talking for Southport  
20 about Boeing, talking about the Southport development  
21 and access to the RUSH, the Renton Urban Shuttle, which  
22 goes to downtown. As far as I know, that RUSH does not  
23 plan to extend up to Port Quendall. There's a  
24 separation.

25 Q. Aren't there bus routes that go between Port

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1 Quendall and --

2 A. Port Quendall does not exist. I mean there's  
3 -- the old industry is still there. It's very  
4 conceivable that new bus routes could be put in, but I'm  
5 not going to try to project out what Metro is going to  
6 do many, many years from now with a project which hasn't  
7 even in my opinion really started.

8 Q. And so it's your understanding that  
9 Mr. Kezner and Seattle Ferry Service are going to draw  
10 exclusively from the Port Quendall area as opposed to  
11 from any kind of downtown?

12 A. That's my understanding of his market. He  
13 indicates it by small boat. He says he targets  
14 executives right at Port Quendall. I understand what  
15 he's marketing or what he's working towards. That's not  
16 the market Dutchman Marine plans to serve, the Port  
17 Quendall executive or business market.

18 Q. Well, although that is certainly perhaps what  
19 Mr. Kezner has identified for his additional or his  
20 initial market, is there any restriction in your mind on  
21 his ability to serve a broader market in the Renton  
22 area, if he so chooses out of the Port Quendall area?

23 A. No, if he chooses to serve a bigger market,  
24 that's his prerogative. Right now there's not a heavy  
25 King County Metro service between the area of Port

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1 Quendall and the Southport development.

2 MR. KOPTA: Okay, thank you, Mr. Dolson.

3 Those are all my questions.

4 THE WITNESS: Really?

5 MR. KOPTA: For now, depends on what  
6 additional questions your counsel may have later, but  
7 for now.

8 JUDGE HENDRICKS: Are there any other  
9 questions and cross-examination for the witness?

10 Mr. Davidson.

11 MR. DAVIDSON: Yes, thank you.

12

13 C R O S S - E X A M I N A T I O N

14 BY MR. DAVIDSON:

15 Q. Mr. Dolson, there are a couple of things I  
16 would like to just clear up for purposes of fixing the  
17 record in a positive sense, and one of those matters is  
18 in your first application, it is Exhibit Number 101 in  
19 these proceedings, about, oh, ten pages in or so, there  
20 is a sheet of paper that is the supplementary answer to  
21 your -- to the Commission's Question Number 13. It's on  
22 the right side of the page, your booklet.

23 A. Yes, I have it.

24 Q. In the third paragraph, the second sentence  
25 says, the City of Seattle is supportive. Is it your

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1 position that that sentence is intended to relate to the  
2 preceding sentence in its general sense as opposed to  
3 specifically supportive of your application?

4 A. Yes.

5 Q. The third sentence begins with the word it.  
6 That pronoun is the subject of some discussion in  
7 various pleadings presented to the Commission. Can you  
8 clarify what the it is?

9 A. This was unfortunately a draft that was  
10 accidentally submitted to the Utilities and  
11 Transportation Commission. A corrected letter was then  
12 faxed to the Utilities and Transportation Commission to  
13 correct the answer to Question 13.

14 Q. And that correction was what?

15 A. It was more of saying that Bellevue has  
16 acquired commercial marine facilities on Meydenbauer  
17 Bay.

18 Q. You indicated in earlier testimony that a  
19 person named Bryan Rubin did modeling for Dutchman  
20 Marine's proposed operation, and I'm wondering to what  
21 extent the ridership projections and operating costs  
22 have been a product of Mr. Rubin's work as compared to  
23 your own?

24 A. I generated the, you know, Rubin had nothing  
25 to do with the ridership projections or the cost

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1 projections. He merely took the information we provided  
2 him and put it into a very functional and flexible  
3 spreadsheet. This is what he does as a profession in  
4 terms of analyzing acquisitions and mergers between  
5 relatively large companies. For him to be able to build  
6 a spreadsheet, he was able to put in many variables  
7 which we were not able to do, because we didn't have the  
8 experience in doing spreadsheet modeling.

9 Q. To what extent did Mr. Hibma have a role in  
10 the preparation of the financial statements that have  
11 been provided as I think it is Exhibit 119?

12 A. Mr. Hibma took Mr. Rubin's model and  
13 developed what you see in 119, Exhibit 119.

14 Q. In looking at Exhibit 119, the right two  
15 thirds of the page has a box heading, the first line of  
16 which says January 02, February 02, et cetera. But  
17 there are numbers underneath those month designations,  
18 month and year designations, and they go initially 1, 2,  
19 3, 4, and then they start with 1 again. Can you explain  
20 that?

21 A. That is something that Mr. Hibma uses for  
22 calculations. It's not a part of the actual financial  
23 statement. It is most likely a multiplier tool that he  
24 uses. I'm not sure what those individual numbers are  
25 for.

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1 Q. Do you know what the text that's in the  
2 column immediately to the left of that, you know,  
3 there's first a, in the left one third of that page,  
4 there is a box that says 12-31-01, and then there is a  
5 line underneath that that says opening B/S; do you know  
6 what that means?

7 A. It can be interpreted many ways, but I think  
8 it's opening balance sheet.

9 Q. Okay, thank you.

10 MR. CRANE: Good answer.

11 Q. You testified earlier that the revenue lines  
12 on this particular page that begin about halfway down  
13 may be used to derive ridership projections. Can you  
14 explain that?

15 A. In general, the revenue is directly related  
16 to passenger count. It's a -- we have a formula for  
17 full fare ridership, and we also have a fare, discounted  
18 fare, as indicated in our tariff, which we applied --  
19 which we have applied to the Utilities and  
20 Transportation Commission. In our spreadsheets, we  
21 assume that all commuters, just to be conservative, pay  
22 a discounted fare of a monthly pass, for example. And  
23 you take that, the number of commuters we expect,  
24 multiply it times the discounted fare, and then add full  
25 fare to the rest of the projected riders, and that comes

00564

1 out with the total revenue. That is why the number here  
2 does not seem to be exactly divisible by \$5 or by \$6.65,  
3 such as revenue from fares and revenue from concessions.

4 Q. So I could not take, for instance, the  
5 January 02, the first dollar amount listed for this  
6 projected revenue stream, \$32,387, I could not simply  
7 divide that by what you said was the anticipated base  
8 fare of \$5 and plus the anticipated concession revenues  
9 of \$1.65 making the resulting divisor --

10 A. Exactly.

11 Q. -- \$6.65 to come up with a ridership  
12 estimate?

13 A. Exactly. You can do some rough interpolation  
14 in taking an average fare of the whole projected  
15 ridership, but it's more detailed than that in our  
16 financial projections.

17 Q. To make things clearer for everybody in this  
18 Commission, did you anticipate providing to the  
19 Commission or do you anticipate that Mr. Hibma will be  
20 able to provide to the Commission a more broken out  
21 statement of anticipated ridership for this particular  
22 run?

23 A. Yes, sir.

24 JUDGE MOSS: Let me interrupt here and ask  
25 which is it, is Mr. Hibma going to present that, or is

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1 that something that we need to -- we probably should  
2 pause to discuss this, we discussed this yesterday about  
3 producing the results.

4 MR. CRANE: Right.

5 JUDGE HENDRICKS: Let's go off the record for  
6 a minute to discuss this.

7 JUDGE MOSS: No, let's stay on the record.

8 What's your intention?

9 MR. CRANE: Well, I think Gary Hibma is going  
10 to testify to that.

11 JUDGE MOSS: Okay, well, that's fine if you  
12 want to do that.

13 MR. CRANE: Dan, am I getting that correct?

14 THE WITNESS: I can testify in terms of  
15 ridership projections, the average daily total. I was  
16 not planning on testifying in terms of the absolute  
17 breakdown of every category.

18 BY MR. DAVIDSON:

19 Q. Is Mr. Hibma a more qualified person to  
20 provide that kind of information?

21 A. He can relate it to the financials better  
22 than I can. What I can do is tell you where we got the  
23 information, and then he can tell you how it fits into  
24 the financial picture better.

25 Q. I think I will let Mr. Crane address that

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1 perhaps through some redirect when he has a more  
2 specific series of questions he might want to ask about  
3 that, so I will leave that for now.

4           The figures you indicated here with respect  
5 to expenses include labor facilities. Do they also  
6 include the anticipated expenses that your firm might  
7 incur for securing moorage rights either in Seattle or  
8 Kirkland or --

9           A.     They do.

10          Q.     -- through, you know, Carillon Point or  
11 Southport or wherever?

12          A.     They do. My understanding is that they do.  
13 Mr. Hibma will be able to identify where the numbers are  
14 in here more accurately than I can.

15          Q.     Can you explain whether this particular  
16 statement of anticipated revenues and expenses is a  
17 projection solely of the Kirkland to Seattle run or  
18 whether it is a model that applies to each of the runs?

19          A.     As we built this, which is the exhibit, this  
20 is for the Seattle-Kirkland route alone, using a single  
21 chartered vessel and the assumptions which go along with  
22 that.

23          Q.     Is it your expectation to -- that this --  
24 while this pertains to the Kirkland-Seattle run, is it  
25 reasonable to assume that identical figures or very

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1 comparable figures will present -- be usable for  
2 purposes of projecting revenue streams with respect to  
3 the Kenmore to Seattle, Renton to Seattle, and Bellevue  
4 to Seattle runs?

5 A. Somewhat, however, because each of the routes  
6 was analyzed individually, of course the ridership  
7 projections or revenue will be different. And for some  
8 of the longer routes, the cost of operations, for  
9 example the amount of fuel used, will be different  
10 because, of course, the longer the route at higher  
11 speed, the more fuel you burn. That's a significant  
12 factor.

13 Q. In the application that your firm initially  
14 submitted, it was a much more detailed description of  
15 expenses. This was back in Exhibit 101. Is it  
16 reasonable to assume that all of the expenses that were  
17 listed in that first projected statement of income and  
18 expenses are somehow reflected in the material that  
19 Mr. Hibma has created in Exhibit 119?

20 A. In general, these are the expenses we  
21 anticipate. Of course, there have been changes. For  
22 example, the shuttle bus expense has been modified as a  
23 factor of ridership, and some aspects such as vessel  
24 maintenance and repair may be different because we are  
25 chartering a vessel instead of maintaining the vessel

00568

1 ourselves. There are some -- there are some  
2 differences, but in general this can be assumed to be in  
3 the most recent version of the financial projections.

4 Q. You have explained to some extent your  
5 expectations of the experiences of passengers when on  
6 board. Can you describe for us the experiences of a  
7 passenger, particularly with respect to services,  
8 amenities, conveniences, et cetera when they get off  
9 your boats?

10 A. Such as services ashore?

11 Q. Yes.

12 A. Depending on either of the locations, for  
13 example, let's take the Leschi dock, there is I know of  
14 a Starbucks directly across the street, there is a deli,  
15 there is a -- there's numerous small, privately owned,  
16 how do I describe it, there's concessions available  
17 ashore for the passengers if they wish to buy  
18 concessions ashore.

19 Q. It's your current expectation that your firm  
20 would not be providing a shuttle bus service at least in  
21 the first year or two at least for the passengers  
22 arriving at Leschi?

23 A. The shuttle bus will be in the form of King  
24 County Metro service.

25 Q. Up the hill?

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1 A. I'm sorry?

2 Q. Up the hill?

3 A. Up the hill, that's what I consider to be  
4 shuttle.

5 Q. Your earlier testimony suggested to me that  
6 you're looking at a ridership that focuses essentially  
7 along Yesler Avenue, which is the route of the number 27  
8 bus, from downtown all the way to Leschi, within some  
9 number of blocks on either side of that run. To what  
10 extent is your projected ridership drawn from the core  
11 downtown area of Seattle for the runs to Kirkland?

12 A. It would probably be best if we had a map of  
13 downtown Seattle to answer that. What do you consider  
14 core downtown?

15 Q. Let's say the freeway is the divider.

16 A. I still need a map.

17 JUDGE MOSS: If it will assist you, I can  
18 provide you with a detailed map.

19 THE WITNESS: Thank you, Your Honor.

20 A. Yesler Way, according to this map, goes  
21 directly down to the Coleman dock or within reasonable  
22 distance. If the Coleman dock is not considered as  
23 downtown Seattle, I don't know what you mean. We plan  
24 to serve the core of downtown Seattle.

25 BY MR. DAVIDSON:

00570

1 Q. Well, let me ask the question in a different  
2 way. What percentage do you think of your projected  
3 ridership to Kirkland will be picked up along the route  
4 of the number 27 bus from either the freeway or the top  
5 of First Hill all the way east to the Leschi dock?

6 A. A relatively small part of the ridership will  
7 come on the -- from the people on the eastern side of  
8 the hill, if you would like to call it that.

9 Q. What -- do you have any projections of the  
10 ridership that you're expecting from the eastern side of  
11 Seattle, that portion of Seattle that starts at the  
12 ridge that sort of goes along Mount Baker Ridge, through  
13 Madrona, that overhangs Leschi Park?

14 A. We would probably estimate less than 20%.  
15 That's a rough figure. Less than 20% would come from  
16 the east side of the ridge. Most of our ridership will  
17 come from and go to the core of downtown Seattle.

18 Q. Do you have any expectations about the, maybe  
19 not the 20% of your anticipated ridership that would  
20 come from that eastern edge of Seattle, that would be  
21 likely to drive to Leschi Park as opposed to walk?

22 A. No, we --

23 Q. Or bike ride?

24 A. Actually, we're hoping for a high projected  
25 rider -- or we're hoping for a high bicyclist aspect,

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1 and that's what mostly we're drawing on. In terms of  
2 the park and ride service, it's difficult enough to find  
3 parking in downtown. In the central Leschi area,  
4 parking is simply not available. It's not intended to  
5 be a park and ride service. So we don't expect a large  
6 component of park and ride.

7 Q. Given the projected use of the Saint  
8 Nicholas, can you explain what the gangway arrangement  
9 is going to be for connecting the boat to any dock?

10 A. The simple answer is on the quarters on the  
11 back of the boat are stairs that come down from the main  
12 deck to a loading platform, which is about, if I  
13 remember right, about two and a half feet or so off the  
14 water's edge, so it's about, from the water's edge to  
15 the loading platform is about two or two and a half  
16 feet. And from there, we plan to have a simple ramp  
17 with railings for people to hold on to so of course they  
18 don't fall off to get aboard the Saint Nicholas.

19 Q. And would that be something that would be  
20 always at the dockside? I mean is that a facility on  
21 the dock, or is that a facility on the boat?

22 A. The ramp is traditionally an aluminum ramp,  
23 very light weight. It can be kept on board the boat, or  
24 it can be kept ashore. It depends on the final docking  
25 arrangements that we make with the City of Kirkland,

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1 especially with the City of Kirkland. And with the City  
2 of Seattle, I don't anticipate they're going to allow us  
3 to leave a ramp at the Leschi dock, so we probably will  
4 have to take it with us. And it's light weight, one  
5 person can easily handle it, pull it on and off.

6 Q. You described a number of stairs in this  
7 process. Bicyclists can probably navigate those stairs,  
8 yes or no?

9 A. Yes.

10 Q. Is there going to be a turn --

11 A. No.

12 Q. -- that's required?

13 A. We're talking about maybe four steps.

14 Q. What about wheelchair people, how are you  
15 going to serve them?

16 A. That's where the ramp access comes in. It's  
17 very possible that we would have to put a ramp on the  
18 docks to accommodate wheelchair access, or we can have  
19 available crew members to assist people in wheelchairs  
20 up and down those steps.

21 Q. To what extent is the ridership in any ferry  
22 service in your opinion dependent on the riders'  
23 perception of the convenience of the access points?

24 A. Oh, it's -- it's incredibly dependent upon  
25 the convenience of the service. It's the reason people

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1 take it. Most likely they don't take it for saving  
2 money in many instances. I mean there are some highly  
3 subsidized services which they do it to save money, but  
4 in general, it's the convenience, it's the comfort, the  
5 relaxation, and the amenities which make the service  
6 attractive to ferry passengers.

7 Q. I'm going to project your thinking to a  
8 different geographic area for just a moment, and then I  
9 will bring it back to Seattle. But imagine yourself  
10 being a passenger in San Francisco, and you have, as  
11 Mr. Fuller explained, service back and forth to  
12 Sausalito. There's also service back and forth to  
13 Tiburon, is there not?

14 A. To where?

15 Q. To Tiburon, do you know that site?

16 A. I believe so; I'm not familiar with that  
17 route.

18 Q. Tiburon is an adjacent community into  
19 Sausalito. I frankly don't know how far apart it is,  
20 but it's not that far. Is it your perception that a  
21 passenger who wants to go to a location in Tiburon is  
22 going to be satisfied by going to Sausalito?

23 A. I'm sorry, I don't know enough about the  
24 route, the vessels.

25 Q. Let me give you a more local experience then.

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1 There's a service, Washington State Ferry service, that  
2 goes to Bremerton.

3 A. Okay.

4 Q. And there is a Washington State Ferry service  
5 that goes to Bainbridge Island, used to be Winslow.

6 A. Okay.

7 Q. Given choices, is it your expectation that a  
8 person who wants to go to Bremerton will as a matter of  
9 choice choose the Bremerton route as opposed to the  
10 Winslow route?

11 A. I would assume so.

12 Q. If a person wants to go to Paulsbo or  
13 Silverdale, which are intermediate points between  
14 Winslow and Paulsbo, is there -- what's your expectation  
15 about the ridership choice, the riders' choice of which  
16 of those two points of access that riders would choose  
17 to take?

18 A. I think there would be two factors, well,  
19 three factors involved. One would be speed, which  
20 vessel, which route would be the shortest, as there is a  
21 real preference for speed by passenger ferries. Second  
22 will be the amenities on board. If it's a broken down  
23 ferry or a ferry that's not functioning well, doesn't  
24 have the amenities and comfort, is not good looking,  
25 people won't want to ride it. And third will be the

00575

1 convenient transit access. They have to get, of course,  
2 we're assuming passenger here, if there is a convenient  
3 connection to get to one of those intermediate towns,  
4 that's definitely a big aspect to whether they choose to  
5 take one route or the other.

6 Q. What I want to do is bring you back now to  
7 your proposed service, specifically the Renton to  
8 Seattle service, the question of the existence of a  
9 conflict between the service to Leschi, service to  
10 University of Washington dock. If a person wants to go  
11 to the Leschi area or Seattle central district, do you  
12 perceive that there's any potential conflict in routes  
13 that would be chosen by that particular rider?

14 A. Are you talking about different modes of  
15 transportation or about --

16 Q. Always water transportation.

17 A. Oh, okay, always water.

18 Q. Given a choice of landing sites at the  
19 University of Washington dock as opposed to Leschi.

20 A. I would assume they would go to the Leschi  
21 dock, as it is significantly closer. You do not have  
22 the 14 minutes of slow time between Webster Point and  
23 the University area where the terminal would likely  
24 exist. And besides that, the shuttle ride is much  
25 shorter.

00576

1 Q. Let's push the example farther. If a person  
2 wants to go to the central business district, given  
3 those two choices of docking points, do you perceive  
4 that there is a conflict in those particular services, a  
5 service that goes from Renton to Leschi and a service  
6 that goes to Renton-University of Washington?

7 A. There's a potential conflict. If, for  
8 example, the service to Southport to the University --  
9 from Southport to the University of Washington might be  
10 offered at a time that's more convenient. For example,  
11 instead of leaving at 6:30 in the morning, it leaves at  
12 6:45.

13 Q. Let's assume they leave at the same time.

14 A. Okay. No, I think the person would probably  
15 choose to go through the Leschi terminal.

16 Q. And why is that?

17 A. Speed, but not necessarily boat speed, but  
18 the -- it takes less time to get to downtown Seattle  
19 through the Leschi terminal than it would through the  
20 University of Washington.

21 Q. To what extent do you think that means that  
22 then the markets are different as opposed to the same?

23 A. Well, it's very possible that if a -- if the  
24 central business district were identified as the common  
25 goal for a rider from Renton, if a certificate of

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1 necessity and convenience were issued solely to go to  
2 the University of Washington -- I'm not sure I'm  
3 understanding your question really.

4 Q. I guess what I'm going back to is how you  
5 define what the market is and whether you think the  
6 market is actually the same for serving Seattle when the  
7 service is from Renton to Leschi as compared to Renton  
8 to a dock at the University?

9 A. I see. They -- the two routes share some  
10 common riders possibly. Maybe somebody would like to  
11 work more on the northern edge of Seattle towards, for  
12 example, Lake Union. And if they had an option of going  
13 through Leschi Park and then having to take one bus and  
14 then having to transfer to another bus, then you start  
15 sharing market. But I do understand what you mean.  
16 There is only a segment of shared market, but in  
17 essence, if somebody is going to take a ferry to the  
18 University of Washington, it's likely that they're going  
19 to the University of Washington area. I would assume  
20 that's where most of the market is for that route.

21 Q. And by virtue of that, is it your conclusion  
22 that the market is, in fact, different?

23 A. There's a good bit of difference.

24 Q. Let's look at the Kirkland service, the same  
25 kind of situation. What's your perception of the

00578

1 market, who is the market for for service proposed  
2 between Kirkland and the University of Washington?

3 A. Staff of the University possibly, students,  
4 some students, mostly commuters to downtown though.  
5 That's how we see it.

6 Q. Even if they were docking at the University  
7 of Washington?

8 A. Yes, from the Kirkland, that's the shortest  
9 route that we could identify. I'm sorry, if -- if we  
10 could initiate service through the University of  
11 Washington right away, we would. That's why we chose  
12 the Leschi dock, as we see it as a better chance of  
13 getting landing rights or something more immediate than  
14 the University of Washington.

15 Q. In your perception of the riders coming from  
16 Kirkland going to Seattle, those riders are who?

17 A. I would say about half the riders would be  
18 commuters connecting to downtown Seattle or the central  
19 business district of Seattle.

20 Q. And the other half?

21 A. University.

22 Q. Which would mean that they would have to take  
23 a number 27 and then connect to some other route that  
24 goes to the University?

25 A. Are you saying from Kirkland to Leschi up --

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1 Q. Yes.

2 A. Yes.

3 Q. Have you done any studies about the  
4 perceptions of people with respect to their willingness  
5 to take mass transit, including buses and ferries, to an  
6 ultimate destination that requires them to make multiple  
7 changes?

8 A. We have not done studies ourselves. The  
9 traffic engineers we work with tell us that people are  
10 very unlikely to make more than -- very, very unlikely  
11 to make more than two mode switches, mode switch  
12 changing from one form of transportation to another or  
13 from one bus to another. That's a transfer, that's a  
14 switch.

15 Q. You recognize the only service currently  
16 provided from Leschi Park is a route that goes directly  
17 downtown?

18 A. Yes.

19 Q. So the only service that could be provided to  
20 any other location in downtown outside of downtown would  
21 require a mode switch?

22 A. Yes, it would.

23 Q. Or at least one transfer?

24 A. Mm-hm.

25 Q. So with the boat, that's a second transfer?

00580

1           A.     Yes, between the boat and the 27 would be the  
2 first transfer. And after that would be the second  
3 transfer. Any mode switches after that would be highly  
4 unlikely.

5           MR. DAVIDSON: I don't have any further  
6 questions at this time, thank you.

7           JUDGE HENDRICKS: Thank you.

8           Ms. Riordan.

9

10           C R O S S - E X A M I N A T I O N

11 BY MS. RIORDAN:

12           Q.     Mr. Dolson, let's start with the schedule  
13 that's in Exhibit 103. That assumes I think there that  
14 you are providing a service to Bellevue, to and from  
15 Bellevue as -- in setting up this schedule to  
16 Meydenbauer Bay to Leschi Park; is that correct?

17           A.     That's correct.

18           Q.     And you have testified during these  
19 proceedings that -- and you have, in fact, drawn on the  
20 map there a route actually going from Meydenbauer to the  
21 University of Washington, and you have not drawn a route  
22 to Leschi. So I'm wondering if you can clarify for us  
23 where Dutchman is in terms of the Seattle terminal for  
24 the Bellevue route right now?

25           A.     The best available terminal for access or the

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1 traffic engineering projects that a Bellevue to  
2 University of Washington route would have the highest  
3 likelihood of success versus access through the Leschi  
4 dock. In addition to that, we look at the projected  
5 ridership from Bellevue, which we anticipate to be quite  
6 high. And I can not see providing adequate shuttle  
7 service from Leschi to downtown Seattle through the  
8 Leschi dock.

9 Q. When you say the traffic engineering makes it  
10 a more attractive route, can you explain that a little  
11 bit?

12 A. Discussions with municipal traffic planners  
13 and with regional traffic planners indicate that their  
14 studies show that the Bellevue to University of  
15 Washington route would have a lot higher likelihood of  
16 success, as there is an existing high flow of pedestrian  
17 traffic and automobile traffic between the two right  
18 now.

19 Q. So you are looking at a target ridership from  
20 Meydenbauer Bay to the University of Washington as a  
21 destination point as opposed to being a jumping off spot  
22 to getting on a shuttle to go to downtown Seattle?

23 A. It would be both. It would be a good  
24 connection to downtown Seattle also, and our projections  
25 show that a number of people do shuttle between Seattle,

00582

1 downtown Seattle and downtown Bellevue regularly.

2 Q. One of the other things you testified to and  
3 drew on the map was the possibility of Newport Shores  
4 being the Bellevue terminal. What efforts have you made  
5 toward exploring that as the alternative to Meydenbauer  
6 Bay?

7 A. We have done a survey, survey of the site,  
8 and we have started our preliminary work in terms of  
9 evaluating Newport Shores Bellevue public ramp facility  
10 as an alternative.

11 Q. And is there a dock at that facility?

12 A. There's multiple docks.

13 Q. Is there a dock of sufficient size to  
14 accommodate the vessels that you anticipate using?

15 A. To be honest, we haven't gotten that far.

16 Q. Okay. If there is not a dock of sufficient  
17 size, what would Dutchman's plan be in terms of  
18 upgrading that facility? Would you be expecting the  
19 City to do that, or would you be constructing that dock  
20 yourself?

21 A. We need to discuss further with the City of  
22 Bellevue any developments for Newport Shores or any  
23 other site. The reason we have put Bellevue as the last  
24 route we plan to initiate is that I realize there is a  
25 lot of work to be done in order to accommodate passenger

00583

1 ferries for the City of Bellevue.

2 Q. Let's get back to the schedule for just a  
3 moment, because I think you testified about, you and  
4 Mr. Fuller both testified generally about the distance,  
5 the amount of travel time between Meydenbauer Bay and  
6 University of Washington, and your schedule shows  
7 Meydenbauer Bay to Leschi. If Newport Shores were the  
8 Bellevue terminal, have you undertaken efforts to  
9 determine how long a ride it would be on the vessel?

10 A. We have, and it adds, if I remember right,  
11 about five minutes. The coming out of Meydenbauer Bay  
12 for environmental reasons we plan to keep the boats  
13 going at a slow speed all the way up, and so it's -- it  
14 doesn't add that much time to go to Newport Shores.

15 Q. And have you contemplated at all the  
16 possibility of making Leschi Park the termini in Seattle  
17 if Newport Shores becomes your Bellevue terminal?

18 A. We have. However, still looking at the  
19 traffic flows, we don't want to overburden the Leschi  
20 community with traffic flow from three other terminals  
21 from the east side.

22 Q. Who would be your ridership there; who would  
23 be your target ridership if you were to do a Newport  
24 Shores-Leschi run?

25 A. Mostly commuters.

00584

1 Q. Let me ask you about the travel back across  
2 from Seattle to Bellevue, because as I recall the  
3 testimony from Mr. Fuller yesterday, you can correct me  
4 if you recall differently, but he -- and I believe you  
5 also testified to this on the first day, although it's  
6 been so long ago, that you are also anticipating some  
7 tourist travel from Seattle to Bellevue; is that  
8 correct?

9 A. That's correct.

10 Q. With the University of Washington termini,  
11 where are the tourists from Seattle going to come from?

12 A. From the waterfront of Seattle basically.

13 Q. The waterfront down in downtown Seattle?

14 A. In downtown Seattle, yeah.

15 Q. And how are they going to get then to the  
16 University of Washington?

17 A. Through the shuttle buses. There are --  
18 there are plans for, after the initiation of service, to  
19 supplement Metro King County bus service with shuttles  
20 operated by Dutchman Marine or under contract to  
21 Dutchman Marine. Those buses will be wrapped so it will  
22 be a clear indication of what this bus goes to. It will  
23 say Lake Washington ferry or something along those  
24 lines, so it's very obvious that this is where the bus  
25 will go. That will be one of our plans for getting

00585

1 particularly tourists up to our University of Washington  
2 terminal.

3 Q. If the terminus in Bellevue is Newport  
4 Shores, in your opinion, does that have any impact on  
5 the amount of tourist trade you will get?

6 A. It will.

7 Q. Can you explain that?

8 A. Meydenbauer Bay is more convenient and local  
9 to downtown Bellevue. There will be less -- the  
10 distance scares the tourists. If they believe that they  
11 have to do multiple mode switches and go all over the  
12 place just to try to get to a spot, they're not going to  
13 do it. The more convenient you can make it such as just  
14 if it's from the Bellevue terminal Meydenbauer Bay, it's  
15 right there. There's a circular, for example, that  
16 serves the terminal, that would be a lot more attractive  
17 to tourists than to be dropped off at a remote  
18 residential area basically.

19 Q. Have you undertaken any efforts to study the  
20 time difference between what it would take a shuttle to  
21 get from downtown Bellevue to Newport Shores, or have  
22 you not gotten that far yet?

23 A. We have done informal studies. Well, there  
24 is some distance.

25 Q. With the Meydenbauer facility, I understood

00586

1 Mr. Fuller's testimony yesterday to be that in terms of  
2 the commuter traffic, the techies I think he referred to  
3 them as, I believe he testified that he thought they  
4 would be drawn not so much from the immediate area, but  
5 from all over Bellevue; is that correct?

6 A. See, Mr. Fuller is not as familiar with the  
7 demographics of particularly the east side as the rest  
8 of us on the team are, so his testimony in terms of  
9 ridership projections, I mean he had input into it, but  
10 he doesn't know the layout of the city and where the  
11 residential concentrations or work center concentrations  
12 necessarily are with great accuracy. He has a good  
13 idea, but not like the rest of us.

14 Q. So would it be your testimony then that you  
15 do expect, Dutchman expects the ridership, the  
16 commuters, the techies from Bellevue headed to Seattle  
17 to work would actually be drawn more from the  
18 surrounding neighborhood?

19 A. Actually, we were -- we were targeting the  
20 new construction in Bellevue, which is skewed toward  
21 residential construction. Those are the target  
22 customers we were aiming at in terms of commuters.

23 Q. There's a lot of residential construction  
24 going on in Bellevue.

25 A. Exactly.

00587

1 Q. Are you talking about the residential  
2 construction that's in the downtown core?

3 A. In the downtown core.

4 Q. Because we've got a lot of construction going  
5 on over on Cougar Mountain, and that would be the folks  
6 that Mr. Fuller was talking about.

7 A. He also thinks that Microsoft is in Bellevue,  
8 so.

9 Q. There are Microsoft facilities in Bellevue,  
10 but certainly not the largest.

11 Mr. Fuller also testified about the dock  
12 facilities at Meydenbauer. Did you tour that with him?

13 A. We did, we did a videotape review, we did a  
14 study on site of the possible landing sites.

15 Q. And were you taken on a tour of that facility  
16 by someone from the City or from the operators of the  
17 marina?

18 A. I was given a tour of the facility by -- two  
19 different times, one by the marina operator, and one by  
20 the City of Bellevue Parks Department representative,  
21 Mr. -- I wish I could remember his name off hand.

22 Q. I don't remember his name either, but I think  
23 I know who you're talking about.

24 A. He works for the Parks Department. He met me  
25 down there, and we spent about 45 minutes or an hour

00588

1 reviewing facilities and possibilities.

2 Q. And can you describe for us what the layout  
3 of that marina is in terms of the docks and the boat  
4 slips?

5 A. In general, if I remember correctly, four  
6 major finger piers, four major piers perpendicular to  
7 the Shoreline with individual slips on either side of  
8 those major piers.

9 Q. Is there a pier existing right now that would  
10 accommodate a vessel the size you're anticipating using?

11 A. Likely not.

12 Q. I think Mr. Fuller testified he thought some  
13 slips would have to be removed; is that your general  
14 understanding as well?

15 A. Likely, yes.

16 Q. Have you had Mr. Case work on that issue at  
17 all so far?

18 A. I stopped him once I realized that there is a  
19 lot more work to be done there. We determined that we  
20 would concentrate on other routes initially and work  
21 with the City of Bellevue over time to find out the City  
22 of Bellevue's input before we went and spent the time  
23 and expense of evaluating that site for our own  
24 purposes.

25 Q. So it's -- would it be fair to say then that

00589

1 you would have to remove a number of slips in order to  
2 accommodate the vessel?

3 A. Not necessarily. The City of Bellevue has  
4 purchased land and facilities, and I do not know what  
5 other facilities they plan to purchase and whether they  
6 plan to expand. If there is expansion such as that,  
7 it's very possible that Dutchman Marine and the City of  
8 Bellevue can together put a docking facility in which  
9 would accommodate the passenger ferries and not  
10 interrupt any of the existing slips. That is one  
11 option. However, the City of -- the City of Bellevue  
12 and Dutchman Marine still have, of course, many other  
13 talks, meetings, phone calls to make before we can even  
14 get there.

15 Q. So at this point you don't know with Bellevue  
16 whether you're contemplating something like a  
17 partnership with the City in terms of constructing new  
18 facilities or reconfiguring facilities that are there  
19 presently?

20 A. Dutchman Marine is open to working with the  
21 City of Bellevue. I guess you can say we're waiting  
22 more for a cue in terms of what action would be most  
23 appropriate and what the City desires.

24 Q. Are the cost projections that you have  
25 provided to the Commission, do they take into account

00590

1 the necessity for some construction at either of the  
2 Bellevue locations?

3 A. Not for -- no, we have not anticipated  
4 construction costs, because it's too early on. If  
5 existing facilities can be used, by all means we will  
6 use those.

7 Q. But clearly if you go to Newport Shores,  
8 you're going to need to do something?

9 A. Most likely.

10 Q. Mr. Fuller was not aware of the zoning of  
11 these properties, are you?

12 A. Somewhat.

13 Q. Can you tell us what your understanding of  
14 the zoning is for both of these properties?

15 A. The zoning changes would be -- I can talk  
16 about Meydenbauer Bay, not necessarily Newport Shores.  
17 Meydenbauer Bay land use zoning designation would have  
18 to be changed, modified, altered to accommodate a  
19 passenger ferry terminal as defined by the City of  
20 Bellevue.

21 Q. Now you made some mention on your first day  
22 of testimony that you have obtained land use experts or  
23 have consulted --

24 A. Land use attorney.

25 Q. Land use attorney. Have you taken any

00591

1 affirmative steps in terms of dealing with the City of  
2 Bellevue towards requesting such a change in the land  
3 use designation?

4 A. We have written letters to the City Council,  
5 and we have had some discussions with particularly the  
6 Parks Department in terms of possible steps, mostly  
7 information gathering as to the process that we would  
8 have to go through. But we have not done affirmative  
9 action, immediate action to, for example, apply for a  
10 zone change. We still are waiting for the City of  
11 Bellevue's interaction in the project.

12 Q. And I think you have testified that it's your  
13 understanding that the process of changing the zoning  
14 would take approximately two years; is that correct?

15 A. For Bellevue, I would say three.

16 Q. Three years?

17 A. Mm-hm.

18 Q. Can you tell us as we sit here today what  
19 your plan is in terms of when you intend to formally  
20 apply for the change in the zone that would be  
21 necessary?

22 A. Once the Kirkland route is in place and --  
23 we're anticipating doing formal application for change  
24 in land use after initiation of our first route, as we  
25 were planning to use the first route as a demonstration

00592

1 to the City of Bellevue, say, these are the impacts on  
2 the Kirkland side and on the Leschi side, can you -- can  
3 you understand now what we're putting together so we can  
4 adjust the zoning for landing passenger ferries in the  
5 City of Bellevue.

6 Q. One last series of questions related to your  
7 survey. You did survey some people in Bellevue, that's  
8 correct, as to their interest in trans-Lake Washington  
9 ferries?

10 A. I believe so.

11 Q. Who did that survey?

12 A. We had two people doing it, David Dolson and  
13 Ms. Amanda Twiner.

14 Q. Did they do this by going out on the street  
15 and buttonholing people with clipboards, or can you  
16 describe for us how that survey was conducted?

17 A. They did both. They picked people on the  
18 street, took random surveys. In addition, they went in  
19 and talked to shop owners or shop managers to get their  
20 input and their either support or their reaction to  
21 passenger ferry service.

22 Q. This may be a question I will need to ask  
23 Mr. David Dolson, but let me see if you know the answer  
24 to it. In terms of the residents of the Meydenbauer Bay  
25 area, do you know if any of those persons were surveyed;

00593

1 was there any doorbelling done in the immediate  
2 neighborhood?

3 A. I didn't -- I don't -- ask David Dolson.

4 MS. RIORDAN: Okay, those are all the  
5 questions I have, thank you.

6 JUDGE HENDRICKS: Mr. Thompson.

7

8 C R O S S - E X A M I N A T I O N

9 BY MR. THOMPSON:

10 Q. Mr. Dolson, I want to start my questions with  
11 going back to the line of questions that Mr. Davidson  
12 had for you about the difference between the UW and the  
13 Leschi markets as they relate to the Kirkland and  
14 proposed Kirkland-Renton routes. I guess at one point I  
15 think I heard your contention to be that if Seattle  
16 Harbor Tours were permitted to provide a route between  
17 UW and Kirkland that that would diminish your ridership  
18 on your Leschi to Kirkland route; is that correct?

19 A. That's correct.

20 Q. But I think then there was some -- you  
21 qualified that a bit by saying that there may not be a  
22 very substantial overlap between those markets.

23 A. There will be an overlap. It's the commuters  
24 to downtown Seattle or the central business district  
25 that will be a significant impact. For example, I'm not

00594

1 saying anything for or against Sound Transit. It's many  
2 years away until there's light rail, if it happens, who  
3 knows how it's going to develop. But, for example, if a  
4 light rail station were put in at the University of  
5 Washington giving excellent, excellent access to  
6 downtown, it could significantly impact, I mean make the  
7 Kirkland to Leschi route impractical or uneconomically  
8 feasible because of the excellent connection to downtown  
9 Seattle. That's where I'm looking towards.

10 Q. I see. But then if that were -- if that  
11 scenario you're describing were not to materialize,  
12 would you still feel the same way, that the -- that it  
13 would render your service -- proposed service not  
14 sufficiently profitable?

15 A. Yes.

16 Q. Okay. I want to also follow up on some  
17 questions that Mr. Davidson had for you about your  
18 financial model that is set out in Exhibit 119. And you  
19 indicated, I think, that this is just -- this  
20 information presented here is just for the Seattle to  
21 Kirkland route just using the single vessel the Saint  
22 Nicholas, right?

23 A. Yes.

24 Q. Okay. Did you submit to the Commission pro  
25 forma financial statements for subsequent years for

00595

1 subsequent phases of your proposal?

2 A. We did. I received a phone call from  
3 Ms. Bonnie Allen requesting the information to the  
4 Commission, and I sent her a copy.

5 Q. And as I understand it, that's not in the  
6 record currently, correct?

7 A. Yes.

8 Q. Or it hasn't been included in your packet of  
9 exhibits?

10 A. True.

11 Q. Okay. I made copies of it, and I would just  
12 like to, if I can approach the Bench, I would just like  
13 you to tell me if that's what you submitted?

14 A. Yes, this is.

15 MR. THOMPSON: Okay, I would like to offer  
16 this in as an exhibit.

17 JUDGE HENDRICKS: Is there any objection?

18 MR. CRANE: No objection, Your Honor.

19 JUDGE HENDRICKS: We will give it -- the  
20 exhibit will be admitted as Exhibit Number 142.

21 JUDGE MOSS: And I should go ahead and note  
22 for the record, I didn't do this yesterday, that's why  
23 we're a little confused about the numbers here, I marked  
24 for identification Exhibit 139, Dutchman Marine, [CONFI-  
25 DENTIAL] Loan Commitment Agreement. I marked for

00596

1 identification as Exhibit 140, Dutchman Marine, [CONFI-  
2 DENTIAL] Loan Commitment Agreement. And I marked as  
3 Exhibit 141, Dutchman Marine, [CONFIDENTIAL] Loan  
4 Commitment Agreement. And let me amend those numbers by  
5 adding the designation C after each number, which  
6 indicates that the exhibit is a confidential exhibit and  
7 under the protective order. Those have not been  
8 admitted into the record. In as much as they were  
9 requested by the Bench among others, let me ask now if  
10 there's any objection to the admission of those?

11           Hearing no objection, they will be admitted  
12 as marked.

13           MR. CRANE: Subject to the confidentiality  
14 order, I assume, Your Honor?

15           JUDGE MOSS: Of course.

16           And 142 I think was admitted right now.

17           MR. KOPTA: Your Honor, may I ask for a  
18 clarification?

19           JUDGE MOSS: Sure.

20           MR. KOPTA: Actually, there are two versions  
21 of this particular document. There's a redacted version  
22 that is not confidential as well as the non-redacted  
23 version which is confidential. Do you want to  
24 distinguish between those using the same exhibit number,  
25 or how would you like to distinguish those?

00597

1                   JUDGE MOSS: From the Bench's perspective, it  
2 is the unredacted version that is the exhibit, which, of  
3 course, is available for the Bench to review in its  
4 deliberations, so the redacted version really is  
5 available in the public records, it's available  
6 generally as a non-confidential document. I would just  
7 say treat them as composite exhibits, the two forms of  
8 each, and we won't give them separate numbers. But the  
9 exhibit needs to be handled as a confidential exhibit.

10                   MR. KOPTA: And I understand that, and my  
11 only concern is that there are terms and conditions in  
12 the loan agreements that we would like to refer to.

13                   JUDGE MOSS: Sure.

14                   MR. KOPTA: And obviously don't want to raise  
15 any concerns with the release of confidentiality if it's  
16 designated as a confidential exhibit.

17                   JUDGE MOSS: Well, just to follow up on this  
18 point since we're on it, and I apologize to Mr. Thompson  
19 for interrupting his cross-examination so extensively  
20 here, but in terms of the briefing, and of course  
21 Mr. Dolson has not been asked about these agreements and  
22 the agreements speak for themselves, in terms of  
23 references to them or perhaps to confidential terms and  
24 briefs, those also will be submitted under seal, and  
25 this is a practice that we follow at the Commission

00598

1 whereby if a brief includes confidential information,  
2 then that confidential information needs to be redacted  
3 and provided on separate colored paper, just like the  
4 exhibits themselves, so that we can easily recognize  
5 that it includes confidential information. And we can  
6 talk a little more in the end about briefing and what  
7 we're going to do in that connection, but we will  
8 maintain that confidentiality in that fashion.

9           MR. KOPTA: My concern, however, is that  
10 unless the non-confidential documents are part of the  
11 record, there won't be a way to distinguish that which  
12 has been designated confidential and that which has not,  
13 and so it would be unclear what the designation or what  
14 the material would be if you -- if it's cited in the  
15 brief, there would be no way for the Commission to know  
16 whether that's confidential or not.

17           JUDGE MOSS: So is the suggestion then that  
18 we should give separate numbers to the redacted copies?

19           MR. KOPTA: That or you could use the same  
20 number only with the C designation for those -- for the  
21 confidential exhibit and just the number itself for the  
22 non-confidential.

23           JUDGE MOSS: I think for clarity of the  
24 record, I'm going to take the alternative of giving them  
25 separate numbers. I think that will be the easiest

00599

1 thing to do. And so why don't we do the unredacted  
2 versions will bear the numbers I indicated previously  
3 and admitted. And since we've already got 142 in the  
4 record, we will start with 143, 144, and 145, and 143  
5 will be the Dutchman Marine, [CONFIDENTIAL] redacted  
6 version, 144 will be the Dutchman Marine [CONFIDENTIAL]  
7 redacted version, and 145 will be the Dutchman Marine  
8 [CONFIDENTIAL] redacted version. That way we can avoid  
9 any possible confusion later.

10 MR. CRANE: Your Honor, at this point, I  
11 would like to make a motion to seal this portion of the  
12 record from public scrutiny, given that you have now  
13 associated names with the exhibits that were deemed  
14 confidential. Those had been stricken out, redacted.

15 JUDGE MOSS: I didn't understand that the  
16 identity of the loan commitments was confidential. We  
17 had testimony earlier in the proceeding about those and  
18 the identity of the parties, so that would require us to  
19 go back and review the entire transcript to determine  
20 all those references and make them confidential.

21 MR. CRANE: Well, I would like to do that  
22 then. I don't foresee that as a major problem. I would  
23 like to preserve the right to do so.

24 JUDGE MOSS: Well, do you want me to carry  
25 your motion then?

00600

1 MR. CRANE: I would like to retain the  
2 motion, yes.

3 JUDGE MOSS: All right, then we will carry it  
4 in the proceeding, and you can raise it again at the  
5 end.

6 MR. CRANE: All right, thank you.

7 JUDGE MOSS: Let's take a recess now.

8 Again, I apologize, Mr. Thompson, but the  
9 Bench feels the need for a brief recess, so let's take  
10 five minutes.

11 (Recess taken.)

12 JUDGE MOSS: Off the record there has been a  
13 brief discussion about Exhibit 108, which apparently has  
14 some pages missing, and Mr. Crane has taken upon himself  
15 the responsibility to provide the Bench and to the  
16 extent other parties don't have a complete copy a  
17 complete copy to the other parties.

18 MR. KOPTA: Thank you, Your Honor.

19 JUDGE MOSS: You're welcome.

20 Mr. Thompson.

21 BY MR. THOMPSON:

22 Q. Mr. Dolson, I want to refer you to again,  
23 please, to what's now been admitted as Exhibit 142, and  
24 specifically to I guess the third page of that exhibit,  
25 which shows projected income and expense for four

00601

1 phases. Do the phases indicated there correspond with  
2 the addition of each route?

3 A. Yes, they do.

4 Q. Okay. And is this still, based on what you  
5 know now, is this still accurate?

6 A. No, it is not.

7 Q. Okay. And how does it differ just in general  
8 terms?

9 A. Everything from the fares and charter income  
10 to probably about a quarter of the expenses have  
11 changed.

12 Q. Okay. And I gather Mr. Hibma would be able  
13 to provide more specificity on that?

14 A. Yes, he would.

15 Q. Okay. You testified earlier that the plan is  
16 to use the Saint Nicholas for the first year of  
17 operation on the Kirkland route?

18 A. Yes.

19 Q. And I think I understood that in the second  
20 year of operation, the plan is to add a boat to the  
21 Kirkland route and to bring two boats on line for the  
22 Renton route; is that right?

23 A. Not the second year, the second phase. The  
24 second phase would have two boats put on line for the --  
25 two additional boats put on line for the Renton route.

00602

1 Q. Okay. Well, so at that point, I'm just  
2 trying to figure out what your kind of financing plan  
3 is, and I understand that you have about \$1.2 Million --

4 A. Would you like me to draw you a timetable?  
5 That might make it very clear for everybody, including  
6 the Commission, in terms of the charters.

7 Q. Sure, I think that would be helpful, yeah, if  
8 you would. There's an easel here, would that be --  
9 could we do that and possibly make an exhibit of it?  
10 Why don't we go ahead and do that.

11 A. As indicated in the --  
12 MR. DAVIDSON: Excuse me, Mr. Dolson, is  
13 there any possibility you can twist the exhibit?

14 THE WITNESS: (Complies.)

15 MR. DAVIDSON: Yeah, maybe even a little bit  
16 more.

17 THE WITNESS: (Complies.)

18 A. As indicated on here, this is a phased  
19 implementation. A phase does not necessarily mean a  
20 year.

21 Q. Okay.

22 A. We start off with a Phase I, and we charter a  
23 single vessel, particularly for the first year of  
24 service. That's what we're anticipating. However,  
25 demand for the route might be such that we need to add

00603

1 an additional vessel on line to serve the Kirkland  
2 route. Putting that boat, that second vessel on line,  
3 will be requiring another charter, because it's  
4 impossible to construct a vessel obviously in the amount  
5 of time from when we know we would need it to the time  
6 it would be delivered. So Phase I, end up chartering  
7 two vessels.

8           Phase two -- I'm sorry, also at the end of  
9 Phase I, we will begin construction of vessels, two  
10 vessels to be put onto the Renton route. So if you  
11 construct and you put two new builds on line for Phase  
12 II, it's possible to continue chartering here. As  
13 financials, the financial situation dictates, it might  
14 be very possible to begin construction to -- for vessels  
15 to replace these two also. As the term in the charter  
16 indicates, it can go year to year, so we have the  
17 vessels, of course mutual agreement on both parties, for  
18 as long as we need it. The idea though is to get out of  
19 the charter and put new builds in place.

20           Phase III -- of course, during Phase II or  
21 towards the end of Phase II, you begin construction so  
22 that you can start your third route in Phase III.

23           Does that make sense? Does that clear things  
24 up.

25           Q.     Yeah. My question for you is, based on what

00604

1 you have just outlined, you have, as I understand it,  
2 \$1.2 Million at your disposal?

3 A. Yes, we do.

4 Q. Now. I mean it seems at some point probably  
5 prior to Phase II you're going to need some more money  
6 to implement --

7 A. As Mr. Hibma will be able to testify, the  
8 idea behind the implementation of the service over  
9 phases is to use revenues, profits to be blunt, to pay  
10 for subsequent vessels. According to Mr. Hibma's  
11 projections, and this is as of 10:00 last night, who  
12 knows how it could have changed, it might be -- we're  
13 anticipating Phase III and Phase IV vessels to be paid  
14 through, or at least the downpayments, through the  
15 profits from operations of the other routes. So the  
16 \$1.2 Million will be used primarily to begin the  
17 operation with the charter, get the route to  
18 self-sustainability in terms of cash flow, and then use  
19 some of the cash to purchase the vessel or to put  
20 downpayments on vessels to begin the construction  
21 process. Does that make sense?

22 Q. Yes. I mean what's the approximate size of a  
23 downpayment to --

24 A. About 25% or 20% depending on your finance  
25 package.

00605

1 Q. And a vessel, the cost of a vessel I gather  
2 is between \$1 Million and \$2 Million.

3 A. \$1 1/2 Million to \$2 Million is the most  
4 realistic price.

5 Q. So you're relying solely on profits from the  
6 routes as the source of that financing?

7 A. For the latter half of the system  
8 development.

9 Q. The latter half or Phase II?

10 A. Phase III and IV, Phase -- of course there  
11 will be some profits after Phase I to -- you know,  
12 you're asking the wrong person here actually. I can  
13 give you a general idea, but to really get into the  
14 specifics and to be able to directly answer your  
15 questions would be Mr. Hibma.

16 Q. Okay. I do, well, I do want to ask you a  
17 little bit more about it, just a general level. I  
18 thought you testified that the first year you didn't  
19 expect to make a profit.

20 A. If you add up over the 12 months all the  
21 profits of each individual month, if I remember  
22 correctly, you add it up, there's a lot of losses being  
23 offset by some profits. However, we anticipate having a  
24 positive cash flow before we step into Phase II.

25 Q. So you don't -- at this point, you're not

00606

1 relying on the need for additional investment?

2 A. Correct.

3 Q. To what extent are you relying on revenue  
4 from concessions to meet your revenue needs?

5 A. We're relying -- I would say -- I would say  
6 its a big part of our financial picture. We're relying  
7 on them. That's what makes the system really work.

8 Q. Okay. And what, as a percentage of revenues,  
9 do you have an estimate of what concessions would  
10 contribute?

11 A. We, using the averages that we have indicated  
12 in earlier testimony, assume -- say if you want to talk  
13 about system wide, average fare of \$6, \$5 east-west, \$7  
14 north-south, so just for argument's sake let's say \$6.  
15 We assume about \$1.65 on top of that. So does somebody  
16 have a calculator? \$7.65 divided by \$1.65 gives you the  
17 full --

18 Q. Okay. Is there a model that you have for  
19 that? Is there another ferry service that you're aware  
20 of that obtains that kind of revenue from concessions?

21 A. Yes, the \$1.65 was derived by talking to and  
22 discussing concession sales with other ferry operators  
23 on similar type routes, similar distances, similar size  
24 vessels.

25 Q. So similar transit time?

00607

1 A. Exactly.

2 Q. Okay. So it doesn't cause you concern, I  
3 gather, that there's a relatively short transit time it  
4 seems here of 20 some odd minutes, I guess?

5 A. You would be surprised how many people buy  
6 coffee in that amount of time. No, that's not -- I  
7 don't consider that overly short. Short I consider 10,  
8 15 minutes. I believe the Seabus maybe is 13 minutes,  
9 I'm not sure, but it's -- we have enough time to sell  
10 concessions.

11 Q. Would you anticipate the need to increase  
12 your rates at any time during these phases that you're  
13 describing?

14 A. We plan to increase rates with the cost of --  
15 we plan to apply for periodic fare increases based on  
16 inflation.

17 Q. Okay. And are you aware what's involved in  
18 or what may be involved I guess in obtaining a rate  
19 increase through the Commission?

20 A. Yes, I do.

21 Q. And what -- what do you -- what's the basis  
22 of that knowledge?

23 A. Reading the I want to say WACs.

24 Q. Right. Are you, this may be a question for  
25 Mr. Hibma, but are you aware of what method the

00608

1 Commission uses for setting rates for commercial  
2 ferries?

3 A. I did not know that the commercial -- that  
4 the Commission sets the rates for the private operators.

5 Q. You weren't aware of the fact that the  
6 Commission controls the rates?

7 A. Oh, I know they control it, but it was my  
8 understanding that Dutchman Marine would apply and  
9 justify versus the Commission dictating the fares.

10 Q. Oh, right, okay.

11 A. Okay.

12 Q. What can you tell me about the status of your  
13 efforts to secure docking facilities at the University  
14 of Washington?

15 A. There's a, like Bellevue, a couple of years  
16 of work, because there's -- it's a public property,  
17 publicly owned property. And we approached the  
18 University several times to initiate discussions and  
19 more of gathering support from the University for the  
20 service. They have indicated to me in a letter that  
21 they can not support one service or another until  
22 further discussions, and that's where we are at. We're  
23 still getting into the details of the project with the  
24 University.

25 Q. Is there a particular dock that's at issue?

00609

1           A.     There are some potential sites, but we need  
2 to discuss with the University the impacts, the use, and  
3 any possible zoning changes which could happen.

4           Q.     I gather you're aware that Seattle Harbor  
5 Tours has authority to operate between south Lake Union  
6 and University of Washington?

7           A.     Yes, I do.

8           Q.     And are you aware of whether they have been  
9 able to secure docking rights at UW?

10          A.     I'm not aware of what docking sites they have  
11 secured.

12          Q.     Okay.  So you wouldn't know whether you might  
13 be eventually sharing a dock with that company, assuming  
14 it were to eventually start operating that route?

15          A.     That's possible.

16          Q.     Okay.  I want to get your reaction to some  
17 hypothetical outcomes of this proceeding, okay.  What  
18 would it do to your business plan if you were to receive  
19 authority for Seattle-Kirkland only but none of the  
20 other routes; would it -- would that render your plan  
21 infeasible, or what would that do?

22          A.     The economies of scale particularly for the  
23 management side would weigh heavy on the operation.  It  
24 would -- I don't have my numbers in front of me.  I have  
25 not evaluated doing a single route.  But from what I

00610

1 recall, multiple routes are needed in order to  
2 successfully sustain an unsubsidized ferry service.

3 Q. Okay. But would you concede there's a  
4 difference between say getting a lock on those routes  
5 now and just leaving them open so that you would have  
6 the possibility of coming back later and seeking that  
7 authority? Is there a -- is it -- how important is it  
8 to you to have a lock at this -- at the start of your  
9 operations?

10 A. On the Seattle to Kirkland?

11 Q. On all four routes.

12 A. It makes a big difference. It becomes very  
13 speculative, extremely speculative if the routes were  
14 split up or if they were -- if we were given limited  
15 authority and another operator similar but not the same  
16 authority.

17 Q. What if you got all with the exception of  
18 Bellevue?

19 A. That is -- since there is a lot of work left  
20 to do with Bellevue, it would probably work out if we  
21 were to receive all routes except for the Bellevue to  
22 Seattle route. But like I said, I don't have the  
23 numbers in front of me, and I would have to basically go  
24 and punch numbers to see if that would work completely.

25 Q. Is Kenmore similar to Bellevue in that

00611

1 regard?

2 A. You mean in terms --

3 Q. I mean as not necessarily required for, as  
4 you see it, the success of your plan?

5 A. No, I think Kenmore serves an important  
6 market. Whereas, for example, Bellevue, it's not that  
7 far of a trip up to Carillon Point if people opt to take  
8 that for some reason. Whereas Kenmore is -- Kenmore is  
9 a key market. Even though the physical development is  
10 not there yet, it's the developing market that we want  
11 to get.

12 Q. Can you explain to me again how the phases  
13 relate to years, that is what you're predicting will be  
14 the start of each phase?

15 A. We expect Phase I to start in 2002. Phase II  
16 we expect to start in 2003. Phase IV and V, I mean just  
17 a natural progression, we anticipate 2004 and 2005. But  
18 it's, you know, there is a lot of work. You can push  
19 those off to 2005 and 2006 possibly.

20 MR. CRANE: Point of clarification,  
21 Mr. Dolson, you said Phase III, IV and V, I think you  
22 meant III and IV.

23 A. Yes, I apologize.

24 Q. Are there five phases?

25 A. There are four phases.

00612

1 MR. CRANE: Okay, thank you.

2 Q. Just one other small question. I see this  
3 Lake Sprite name on your letterhead and on your map. Is  
4 that going to be the name that you operate under?

5 A. That's the marketing name. That's the name  
6 of the service, the name of the company.

7 Q. Okay. Is that a name that's registered with  
8 the Secretary of State as a d/b/a?

9 A. Yes, I believe it is.

10 MR. THOMPSON: Okay, that's all the questions  
11 I have for you right now.

12 JUDGE HENDRICKS: I think the Bench has a few  
13 questions before redirect.

14

15 E X A M I N A T I O N

16 BY JUDGE HENDRICKS:

17 Q. There has been a fair amount of discussion of  
18 the conflict of the route, particularly the University  
19 versus Leschi routes as it pertains to Kirkland and  
20 Renton and Bellevue. And some of your testimony, as I  
21 understand it, I have heard you say that the UW route to  
22 downtown Seattle, I should say the transit and the route  
23 itself going to Seattle from Kirkland or Bellevue is  
24 somewhat less favorable because it's longer because  
25 there's a slow down between Lake Washington and the

00613

1 University of Washington, and also because the trip by  
2 community transit from University of Washington to  
3 downtown is longer.

4 A. Mm-hm.

5 Q. Than from Leschi to downtown.

6 A. Yes, sir.

7 Q. Okay. And I could have misheard you, but I  
8 have also heard you say that the first preference for  
9 Dutchman would have been to have served the down -- or  
10 to serve from Kirkland to UW rather than from Kirkland  
11 to Leschi; is that --

12 A. I'm sorry, say that again.

13 Q. As I understand it, you have testified that  
14 the first choice or the preference for the Kirkland  
15 route would have been UW rather than to Leschi?

16 A. Yes, Your Honor.

17 Q. Okay.

18 A. It is because of the lack of docking  
19 facilities or docking arrangements or lack of progress I  
20 should say towards the University of Washington landing  
21 site, that is why we defer to the Leschi site, as it is  
22 also an excellent alternative.

23 Q. Because you feel that you can arrange for  
24 docking much sooner at Leschi than at University of  
25 Washington?

00614

1           A.     Yes, Your Honor.  First of all, there's a  
2 less likelihood of construction, which in itself would  
3 make things much more extended.

4           Q.     How much longer ball park; I mean are we  
5 talking years?

6           A.     A year or two.

7           Q.     One or two years?

8           A.     Yes, Your Honor.

9           Q.     The numbers on the pro forma that we just had  
10 entered into the record as Exhibit 142, and it's the  
11 third page of the exhibit itself, do these numbers --  
12 and it appears to me that they do assume that Dutchman  
13 won't exercise or call on the loans that it secured.  I  
14 don't see any --

15          A.     The loans were not originally formed --

16          Q.     Okay.

17          A.     -- when this pro forma was formed.

18          Q.     Okay.  So you alluded to some things that had  
19 changed, and would that be one of them, that you would  
20 add some kind of provision for payment on debt?

21          A.     Yes, Your Honor.

22          Q.     Is it true that in the best case scenario you  
23 would need to call on loans at all?

24          A.     No, we anticipate calling on the loans.

25          Q.     All of them or --

00615

1           A.     No, no, not necessarily all of them.  
2           Q.     If you were to say call on some modest  
3 portion, a conservative estimate on your part, how much  
4 would that be?  
5           A.     Conservative?  
6           Q.     Yeah, conservatively.  
7           A.     \$700,000 to \$800,000.  
8           Q.     And under the terms of the loan agreement, I  
9 won't discuss them because of the confidentiality and I  
10 haven't seen the redacted versions of these documents  
11 yet, what would be the approximate payment on a loan  
12 like that?  
13          A.     I don't have a financial calculator with me.  
14          Q.     Okay.  
15          A.     So I'm not going to guess.  
16          Q.     Have you undertaken any calculations, or is  
17 that a question for Mr. Hibma?  
18          A.     Mr. Hibma tells me.  
19          Q.     All right. You have said that it's the  
20 intention of Dutchman not to seek any subsidies for your  
21 services.  
22          A.     Operating subsidies.  
23          Q.     Operating subsidies, so what kind of  
24 subsidies would you seek then?  
25          A.     It's very possible to seek subsidies for

00616

1 shore side installations, for example, anything from  
2 throw it out parking to docking, upgrades or docking  
3 facility, maintenance.

4 Q. Are there any circumstances under which you  
5 would seek operating subsidies, or what would those  
6 circumstances be?

7 A. Losing a lot of money. I mean if the system  
8 were to fail after implementation, it's very possible to  
9 go to government agencies or to the public and say, we  
10 were not able to do it, an operating subsidy is needed  
11 to continue this service as you know it.

12 Q. So that's the only circumstance under which  
13 you would seek an operating subsidy?

14 A. The most obvious circumstance that I can  
15 think of.

16 JUDGE HENDRICKS: Okay.

17 Judge Moss.

18

19 E X A M I N A T I O N

20 BY JUDGE MOSS:

21 Q. Mr. Dolson, I have a few questions for you as  
22 well, and I'm just looking through my notes here. I  
23 think I will ask one in one area, and then we will shift  
24 to another area.

25 In reviewing the evidence that's been

00617

1 submitted in this proceeding, I'm looking at the exhibit  
2 that's been I guess actually admitted now, because there  
3 was remedial agreement that there would be no objection,  
4 it was Exhibit 208 that was submitted by Seattle Harbor  
5 Tours. It's the Trans-Lake Washington Ferry Project  
6 Advisory Committee Report. Are you familiar with that?

7 A. Yes, sir.

8 Q. I was just noticing in that in the -- there's  
9 a summary of public comment section in that. And in  
10 reading through that, I notice that there are a fair  
11 number of comments from participants in the unpowered  
12 boat or unpowered craft category, row boats, that sort  
13 of thing, and they express some concerns about the  
14 operation of the types of boats that you propose. And I  
15 just wanted to ask you to address for me briefly the  
16 question of congestion on the lake and whether that's an  
17 issue that's going to foreseeably affect your  
18 operations.

19 A. Your Honor, as I have looked through the  
20 comments also, and believe me there's more than just  
21 that, there are multiple, multiple comments from the  
22 most obvious example is the rowers, and we do not plan  
23 to go past the University of Washington into Portage Bay  
24 or into Lake Union, which is predominantly where many of  
25 these unpowered vessels operate. I understand there are

00618

1 vessels, I'm sorry, there are rowing operations in the  
2 vicinity, but one of our highest priorities, besides of  
3 course the safety of our passengers and crew, is the  
4 environmental impacts that the vessels will make.  
5 That's why we have Mr. Jack Case going through and  
6 finding the absolutely best vessel, to prevent damage to  
7 shoreside properties or to basically flip over boats.  
8 That is very high priority, and we take it very  
9 seriously.

10 Q. Safe operation, of course, is one concern the  
11 Commission has under its statutes, and that's really  
12 what my question relates to. But another aspect of it  
13 is the question of whether you will be able to operate  
14 on the sort of time schedules that you suggested. And I  
15 recognize that the time schedules in your application  
16 are merely indications of what's contemplated and not  
17 precise schedules. Will the existence of other boat  
18 traffic on the lake, do you think, materially affect the  
19 speed at which your boats can undertake their transits?

20 A. Not on Lake Washington, Your Honor. The --  
21 of course, there's the obvious Seafair hydroplane races,  
22 that -- I mean there are some holiday weekends, of  
23 course, when traffic is congested for anybody, and it  
24 would slow down any operation. But for most of our  
25 operations for normal day-to-day operations, we have

00619

1 built into our time schedule a fudge factor, if you  
2 will, of about 10% for the time schedule. So our  
3 vessels will actually be arriving probably earlier than  
4 the time indicated on the schedule simply because we  
5 have allowed several minutes depending on the number --  
6 the time depending on the length of the route to address  
7 these contingencies.

8 Q. And I'm going to switch subjects now. I want  
9 to get back to the ridership and financial aspects,  
10 which are really the heart of the case, the heart of any  
11 application for a ferry service. You have indicated  
12 that both the financial data in your initial application  
13 and the financial data included in Exhibit 142 as  
14 follow-up information provided to the Commission, that  
15 that information is dated, if you will, and I might  
16 venture to say no longer is a reliable indication of  
17 what you expect to occur financially. Is that a  
18 reasonable statement with respect to those exhibits?

19 A. Yes, Your Honor.

20 Q. Now I also understand that you have Exhibit  
21 119, which, I presume we're going to hear more about  
22 this from Mr. Hibma, is the updated financial data for  
23 Phase I?

24 A. Phase I, the Kirkland route, yes, sir.

25 Q. Okay. And is it your intention to provide

00620

1 updated information in connection with this application  
2 with respect to the subsequent phases?

3 A. Yes, Your Honor. We plan to provide it to  
4 the Commission before the Commission issues a  
5 certificate of public necessity and convenience, full  
6 ridership and financial information as required by the  
7 Commission.

8 JUDGE MOSS: And we may need to direct some  
9 attention to your counsel here or give you an  
10 opportunity to consult, because my concern is that a  
11 fundamental issue that we have to consider in deciding  
12 whether you should receive a certificate of public  
13 convenience and necessity is the financial aspect. And  
14 therefore, I would expect such information, to the  
15 extent the Commission is going to rely on it at all,  
16 would have to be made part of this record. And, of  
17 course, it would also be subject to the hearing and  
18 further examination.

19 So let me, having introduced the subject in  
20 that fashion, turn briefly to Mr. Crane and ask what  
21 your intention is with respect to that.

22 MR. CRANE: Thank you, Your Honor. Actually,  
23 we have provided, developed I should say, on fairly  
24 short order -- and the issue came up during the hearing  
25 that that became a prime concern to the Commission

00621

1 through the comments of yourself, Your Honor, and Judge  
2 Hendricks. And because of that issue being raised, we  
3 did ask Mr. Hibma to prepare projected financial  
4 information for I guess what we're calling all four  
5 phases, and so we do have updated financial information.  
6 Our reading of the statute initially indicated the focus  
7 was on the first 12 months, and that's why Exhibit 119  
8 was prepared in that fashion.

9           However, we certainly want to accommodate all  
10 the concerns of the Commission and have therefore  
11 provided projected financials based on preliminary  
12 information for all phases, and keeping in mind that  
13 there's so many variables, we do have information,  
14 however, Mr. Hibma is prepared to testify to that. We  
15 do have documents that we will be submitting as  
16 additional proposed exhibits, both on ridership for all  
17 phases as well as the general financial projections for  
18 all four phases of Dutchman Marine's proposed service.

19 BY JUDGE MOSS:

20           Q.     Okay, and I'm going to follow up on  
21 Mr. Thompson's question, which is really what focused my  
22 attention on this particular point. As I understood  
23 your testimony in response to Mr. Thompson, it was that  
24 the overall financial viability of your operation  
25 depends on receiving a certificate of public convenience

00622

1 and necessity for at least three of the four phases that  
2 you contemplate.

3 A. Again, Your Honor, I don't have the -- I  
4 would have to sit down with Mr. Hibma and with  
5 Mr. Fuller and really work on that to give you an  
6 accurate answer. But yes, three routes would be --  
7 likely be the minimum.

8 Q. Minimum necessary?

9 A. Yes, Your Honor.

10 Q. Okay. And maybe Mr. Hibma will be able to  
11 give me some more information on that when he takes the  
12 stand. But Mr. Thompson, of course, started out at  
13 least to run you through some scenarios there. And, of  
14 course, one possibility is that the Commission may grant  
15 a portion of the authority that's been requested as  
16 opposed to all of it, so I wanted to explore that issue  
17 with you a little bit and determine whether, for  
18 example, were the Commission to certificate the  
19 Southport to Leschi Park and Kirkland to Leschi Park  
20 routes, which I understand are Phases I and II, whether  
21 that would be adequate to your business plan. And then,  
22 of course, Kenmore would be the third, and Bellevue I  
23 understood was the one that at least on the superficial  
24 analysis as you sit here today might be an option.

25 A. Yes, Your Honor, Bellevue probably has the

00623

1 most amount of work left to do and would likely be the  
2 last to be implemented unless something drastically  
3 changes which is out of my control.

4 Q. You testified in some detail with respect to  
5 the conflict or the conflict you perceive if the  
6 Commission were to authorize both Dutchman Marine and  
7 Seattle Harbor Tours to run routes from the Renton area  
8 to Seattle, yours being at the Leschi Park landing and  
9 the Seattle Harbor Tours proposed being at the  
10 University of Washington landing. What about the other  
11 routes? As I understand the applications, there is  
12 overlap to the extent that all -- that both applicants  
13 are requesting service from Kenmore, Kirkland, Bellevue,  
14 Renton to the respective landing sites on the Seattle  
15 side. Do you perceive that were the Commission to  
16 authorize let's say both services from Kenmore to the  
17 Seattle side that that would affect your ridership to  
18 the point that your service would not be financially  
19 viable?

20 A. Yes, Your Honor. On all routes, according to  
21 our projections, it would -- both companies would suffer  
22 a ridership loss should a certificate be issued to  
23 competing companies for the same route. The volumes of  
24 traffic are not nearly the amount that would be needed  
25 to sustain two companies, particularly private

00624

1 companies, on these routes.

2 Q. And that would be true even though they have  
3 different landings on the west side?

4 A. Yes, yes.

5 Q. In other words, taking the first example, the  
6 one you did focus on a little bit more earlier, your  
7 route would be Southport to Leschi Park. And Seattle  
8 Harbor Tours, as I understand it, would be from  
9 somewhere in Renton to the University of Washington.  
10 And you testified about your concern with respect to  
11 ridership that would result if the destination was the  
12 central business district in Seattle. You felt there  
13 would be some conflict there; is that correct?

14 A. Yes, Your Honor, and we are concentrating on  
15 the Leschi Park dock, because as we talked today, it is  
16 my assumption that that is the best, most likely area to  
17 get landing rights. However, there is the very possible  
18 negative outcome of not being able to secure landing  
19 rights at the Leschi dock, and it would leave Dutchman  
20 Marine with no option but to go to the University of  
21 Washington for the Kirkland and Southport routes. That  
22 is where the conflict really develops. As I said in  
23 very early testimony, Your Honor, none of the landing  
24 sites are 100% guaranteed.

25 JUDGE MOSS: Let me turn back to you,

00625

1 Mr. Crane, again since it's a legal question. The  
2 application itself states specific termini. I believe  
3 it's required to do so. Is that stated in terms of  
4 simply Seattle or the specific sites?

5 MR. CRANE: It's Seattle, Your Honor.

6 JUDGE MOSS: So the landing site, it's your  
7 view that were the Commission to issue a certificate of  
8 public convenience and necessity, based on the evidence  
9 we have with respect to the specific routes proposed,  
10 including the terminal points, that that would authorize  
11 your client to shift landing sites from say Leschi Park  
12 to the University of Washington; is that your view?

13 MR. CRANE: Well, I'm not sure shift is how I  
14 would characterize. Certainly it gives Mr. Dolson and  
15 Dutchman Marine the option to pick the most favorable  
16 landing for success of the ferry service, yes, I think  
17 that's true.

18 JUDGE MOSS: Mr. Thompson, does the Staff  
19 share that view of the legal significance of the  
20 application in terms of stating terminal points?

21 MR. THOMPSON: Yes, we do, exactly. If it's  
22 granted as applied for, it's just Seattle to the named  
23 cities on the east side, and that would provide  
24 flexibility to put the terminus anywhere in Seattle, in  
25 theory.

00626

1 JUDGE MOSS: Mr. Kopta, I'm going to ask you  
2 if you share that legal view?

3 MR. KOPTA: I'm not sure that I do. I think  
4 certainly specifying a particular point of landing in  
5 the application gives rise to the implication that  
6 that's the point at which they intend to provide the  
7 service.

8 The other concern that I have is the  
9 settlement agreement that is with Seattle Ferry Service.  
10 And if the landing right is Seattle, then Seattle Ferry  
11 Service, which is going to south Lake Union, is in  
12 Seattle. And Port Quendall, as far as I'm aware, is in  
13 Renton. And so therefore we would all be precluded from  
14 that particular route if that were the interpretation,  
15 that it just goes from Renton to Seattle.

16 JUDGE HENDRICKS: Isn't that what the  
17 settlement agreement states, or is it just Seattle in  
18 the settlement agreement as well?

19 MR. CRANE: South Lake Union.

20 MR. KOPTA: There are specific points.

21 JUDGE HENDRICKS: It says south Lake Union in  
22 the settlement agreement?

23 MR. KOPTA: There are specific points, and I  
24 think one of the issues that the Commission needs to  
25 decide is whether at least on a going forward basis when

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1 there has been an expression of interest by more than  
2 one party whether it makes sense to have such broad  
3 authority, to just say an entire city of Seattle to an  
4 entire city of Renton. And I think certainly that  
5 there's testimony as to whether there is overlapping  
6 markets or whether there isn't, and that's one of the  
7 things that the Commission should consider. But  
8 certainly we would hope that the Commission would be  
9 hesitant in ruling with too broad a brush in terms of  
10 deciding what the authority is going to be, whether it's  
11 going to be on a city wide basis or whether it's going  
12 to be something that's more narrow.

13 JUDGE MOSS: I will ask Mr. Davidson and  
14 Ms. Riordan if they wish to place an oar in these now  
15 murky waters, so to speak.

16 MR. DAVIDSON: I do. I think there are a  
17 couple of things that come into play here. The  
18 Commission, for whatever reason, has chosen to have an  
19 application form that not only asks for a designation of  
20 an area to be served, but also the specific docks. That  
21 may be a carryover of some historical practice,  
22 particularly with respect to vehicle ferries.

23 I think we're talking about a totally  
24 different kind of service when we're talking about  
25 passenger service as compared to vehicle service. I

00628

1 think once one is in a vehicle, the range of options  
2 offered, and let me give the example the west side of  
3 Puget Sound, the driver has an opportunity to choose  
4 either the Bainbridge ferry or the Winslow ferry if one  
5 happens to live in Paulsbo or in Silverdale. One might  
6 make a choice depending on what the expected wait time  
7 is for either of those.

8           If one is dealing with a passenger service  
9 ferry only, however, one is going to take into  
10 consideration how one gets to the ferry and where it's  
11 going to drop one and how one is going to get from that  
12 dropping point, that landing site, to an ultimate  
13 destination. It seems to me the market forces that are  
14 involved in this particular hearing are very  
15 significantly different depending upon where the landing  
16 sites are. For that reason, I think the City perceives  
17 the markets may be different, distinct, distinct  
18 markets.

19           JUDGE MOSS: So your position would be that  
20 the terminal points are a critical part of --

21           MR. DAVIDSON: The terminal points are  
22 very --

23           JUDGE MOSS: -- the application and  
24 subsequently the authority?

25           MR. DAVIDSON: Yes.

00629

1                   JUDGE MOSS: Ms. Riordan, do you have a  
2 position?

3                   MS. RIORDAN: I do agree with Mr. Davidson,  
4 and I think Mr. Dolson's testimony in response to my  
5 questions about the difference in the market if the  
6 Bellevue terminus was changed bears that out. For  
7 example, when we talked about Newport Shores, he said he  
8 rather doubted that the tourist trade would be as high  
9 because of the difference in the proximity to the  
10 Bellevue downtown core where tourists would be headed.  
11 But I think it is critical. That's been one of the  
12 issues that has been the greatest concern to me because  
13 of the difference in the permitting areas between -- in  
14 Bellevue between Newport Shores and Meydenbauer Bay.  
15 They have very -- they're very different kinds of --  
16 they're both zoned residential, but they both have  
17 different kinds of barriers in terms of applying our  
18 criteria for determining whether or not to grant a  
19 permit.

20                   JUDGE MOSS: Let me follow up on that just  
21 briefly, because it suggests to me that from Bellevue's  
22 perspective it would be preferable, for example, were  
23 the Commission to grant the authority for a Bellevue to  
24 Seattle route without designating specific termini.

25                   MS. RIORDAN: Yes and no. I mean in terms of

00630

1 -- that would mean -- and Bellevue is trying very hard  
2 not to take a position here, and we have competing  
3 applicants. It's conceivable that because of the  
4 different markets, the board could grant certificates to  
5 both of them running from different termini if you were  
6 -- if you were to choose a decision that focused upon  
7 the dock from which the boats would run in Bellevue.  
8 But if you just go with Bellevue, I think essentially  
9 that means that -- there is no possibility Bellevue is  
10 going to grant a permit to two operators to go out of  
11 the same dock. So I guess what I'm saying is that one  
12 way completely forecloses one operator. The other way I  
13 guess could potentially foreclose the service, because  
14 as it would turn out, there isn't a chance that they  
15 would get a permit to operate from the dock that they're  
16 seeking to get a permit from.

17 BY JUDGE MOSS:

18 Q. And, Mr. Dolson, turning back to you and  
19 pursuing the hypothetical outcomes that I'm exploring  
20 here, from your perspective, would it be destructive of  
21 your business plan if the Commission were to condition  
22 the certificate of public convenience and necessity  
23 granted to your company, Dutchman Marine, by designating  
24 specific terminal points?

25 A. Your Honor, do you mean the option from one

00631

1 or two, securing one or the other terminal?

2 Q. Yeah, Mr. Thompson and Mr. Crane have  
3 explained that they take the view, and this will have to  
4 be resolved by some careful thought and consideration  
5 and review of precedent and one thing and another, but  
6 taking the view that one potential outcome is that the  
7 Commission would simply authorize service from say  
8 Renton to Seattle, and that would then under their view  
9 give you the flexibility to dock at Southport and Leschi  
10 Park or Southport and University of Washington, whatever  
11 worked out in terms of your ability to secure the  
12 necessary permits, authorities, what have you, from the  
13 City.

14 And my question is, if the Commission were to  
15 condition a certificate of public convenience and  
16 necessity by saying the Southport-Leschi Park is the  
17 terminal points thereby precluding the flexibility of  
18 University of Washington, whether that would essentially  
19 destroy your business plan?

20 A. It would, Your Honor. When we made the  
21 initial application, I modeled our application after  
22 previous applications. For example, the certificate  
23 issued to Seattle Harbor Tours stated Kirkland to  
24 Seattle, and I thought that was the precedent, I thought  
25 that was perfectly acceptable. That's why we submitted

00632

1 our application just like that, because it was accepted,  
2 the Commission accepted it within a relatively recent  
3 amount of time, not decades and decades ago.

4 Q. Sure.

5 A. So that's exactly why we did not identify the  
6 dock, because it was not -- I didn't think it was  
7 necessary to receive the original certificate. But if  
8 we were limited to Leschi, particularly for Southport  
9 and for Kirkland, and we were not to receive landing  
10 permission by the City of Seattle, it would destroy the  
11 business. The business would not be able to operate.

12 JUDGE MOSS: Okay. Well, and you can see why  
13 I'm pursuing this is because I perceive that there might  
14 be a difference of opinion among the parties as to the  
15 scope of the application. And, of course, the  
16 Commission under the statute can condition the terms of  
17 an application, so this becomes an important point for  
18 consideration, and I suspect it's going to be argued.  
19 That's why I wanted to pursue it with you and counsel  
20 now, so that everybody could adequately argue the point  
21 at the appropriate time, and we will be able to render  
22 an appropriate decision considering both the facts and  
23 the law. That's why I'm pursuing it with you. I'm not  
24 suggesting any course of action, merely trying to, I  
25 can't avoid it, cover the waterfront.

00633

1           While I have the floor here, as it were, I'm  
2 going to request in addition, we're going to, of course,  
3 hear from Mr. Hibma with respect to some updated  
4 financial data concerning the four phases, and that  
5 testimony, of course, will be subject to  
6 cross-examination. I would also like to have for the  
7 record, and I will request it as a Bench Request, an  
8 updated map showing the projected routes and perhaps  
9 indicating the phases just to make it simple, something  
10 a little smaller than the one on the easel over there,  
11 but along those lines. I find that to be very easy to  
12 read, so if you could do that. I know there's a similar  
13 type map in your exhibits already, but it shows the  
14 routes as originally I think --

15           MR. CRANE: Sure.

16           THE WITNESS: There is, Your Honor, a copy of  
17 this that folds out to two pages, but it does not have  
18 the routes indicated. It's simply identical to that.

19           JUDGE MOSS: That would be helpful to have  
20 what I described.

21           MR. CRANE: Okay.

22           JUDGE MOSS: So I will request that as a  
23 Bench Request, and I will go ahead and reserve Bench  
24 Exhibit 3 for that.

25 BY JUDGE MOSS:

00634

1 Q. This is a question that I think will  
2 definitely have to go also to Seattle Harbor Tours  
3 witness, but I will ask you, Mr. Dolson. What is your  
4 understanding of the status of the certificate of  
5 authority that you just mentioned that Seattle Harbor  
6 Tours holds between Kirkland and Seattle?

7 A. As I look at that certificate and look at the  
8 Washington Amended Code, the WACs.

9 Q. The Washington Administrative Code.

10 A. The Washington Administrative Code, I  
11 apologize.

12 Q. That's quite all right.

13 A. The service was not initiated within the five  
14 year window allowed by the Utilities and Transportation  
15 Commission. In addition, there was no filing for an  
16 extension of that initiation of service window;  
17 therefore, it was my assumption that Seattle Harbor  
18 Tours had lost interest, at least in a business sense,  
19 in the operation of a passenger ferry between Kirkland  
20 and Seattle.

21 JUDGE MOSS: Okay, we will raise the question  
22 both for the Seattle Harbor Tours witness, and also I  
23 suspect we will probably want to address this point with  
24 counsel either at the end or through briefs so that we  
25 have that question cleared up. Because, of course, if

00635

1 there is an existing certificate that's valid, then we  
2 have a different standard that we have to consider,  
3 which is service to the satisfaction of the Commission.

4           So I think I have covered the points that I  
5 wanted to cover while Mr. Dolson was on the stand, and  
6 recognizing that not all of them were questions for him,  
7 but I wanted to sort of lay out the full landscape of  
8 the Bench's interests and concerns even in the wake of  
9 considerable testimony by Mr. Dolson so that the  
10 redirect could be fully comprehensive and that we can  
11 wrap Mr. Dolson up. Well, actually, it doesn't look  
12 like we're going to be able to do that this morning,  
13 does it. It's 5 to 12:00.

14           MR. CRANE: I think I will go more than five  
15 minutes, Your Honor.

16           JUDGE MOSS: I think you will too, so  
17 perhaps --

18           MR. KOPTA: If I might interject.

19           JUDGE MOSS: Yes.

20           MR. KOPTA: I'm not sure how you would like  
21 to do this. I have a couple of clarifying points based  
22 on the cross of other counsel. I could do those now so  
23 that Mr. Crane could do redirect based on all counsels'  
24 questions.

25           JUDGE MOSS: That makes a lot of sense. Why

00636

1 don't you go ahead and do that, and that way we don't  
2 have to have multiple rounds.

3 MR. KOPTA: Okay, thank you.

4

5 R E C R O S S - E X A M I N A T I O N

6 BY MR. KOPTA:

7 Q. Mr. Dolson, in response to some questions  
8 from Mr. Davidson, you were discussing the existing  
9 concessions at the Leschi dock. Do you recall that line  
10 of questions?

11 A. I do.

12 Q. Is there similar types of concessions  
13 available in and around the Kirkland dock?

14 A. There is not immediately at the dock. Within  
15 about a block walking distance from the base of the  
16 dock, there are Seattle's Best Coffee, downtown  
17 Kirkland. I don't know how to explain it. There are --  
18 it's not as locally available, meaning it's a block or  
19 two away in Kirkland versus at Leschi everything is  
20 right there. It's a very small community.

21 Q. And do you perceive those concessionaires as  
22 competitors with respect to the concessions that you  
23 will be offering to your customers?

24 A. No, I do not.

25 Q. Why is that?

00637

1           A.     We see it more if the -- well, which market  
2 are you talking about, Kirkland or at Leschi?

3           Q.     If you make a distinction between them, then  
4 I would ask with respect to both.

5           A.     With the Kirk -- in terms of Kirkland, we  
6 don't anticipate people necessarily buying their coffee  
7 on the way to the ferry. They might. However, we plan  
8 to offer, for example, some light breakfast food,  
9 muffins for example, which are not necessarily available  
10 right near the dock. In terms of the Leschi area,  
11 concessions are available, but remember that's also a  
12 transfer point for a significant number of our  
13 passengers to get to the buses to get downtown. It's  
14 highly unlikely because everybody will be in a hurry  
15 that the bus will sit there and wait for somebody to run  
16 inside, get a coffee, a muffin, come back out, catch the  
17 bus.

18          Q.     Well, a person that's originating their ferry  
19 trip from Leschi that's waiting for the ferry would be  
20 very likely to buy a coffee at the Starbucks that's on  
21 the dock, wouldn't they?

22          A.     That's possible too. However, we plan to add  
23 additional, not just coffee, like snack service in  
24 excess -- that is in excess to what it would be offered  
25 by, for example, Starbucks at Leschi.

00638

1 Q. Wouldn't you expect Starbucks to respond  
2 competitively to any offering that you would make on  
3 board as a --

4 A. Do you think Starbucks is going to sell  
5 Budweiser?

6 Q. Well, perhaps the deli might that is close  
7 by.

8 A. We see it more of a -- there are similar  
9 situations in other cities. For example, take Boston,  
10 because it's the most obvious example. Right at the  
11 warf at the terminal is a Marriott's, a very substantial  
12 Marriott Hotel. And on the first floor, they have  
13 plenty of concessionaires, including push carts. They  
14 still generate significant revenues on board the boats,  
15 because people are basically on board for 25, 28, 30  
16 minutes.

17 Q. And does the boat that you're planning to  
18 charter have facilities available for providing  
19 concessions?

20 A. It does.

21 Q. You also had a conversation with Mr. Davidson  
22 about mode switches, which I understand is being a  
23 transfer either between buses or from bus to ferry; is  
24 that correct?

25 A. Exactly, any kind of switch of vehicle.

00639

1 Q. Okay. And you were discussing specifically  
2 the transfer from the boat at Leschi to the bus being  
3 the first transfer and then taking the bus downtown and  
4 having a second transfer from downtown to other  
5 locations being the second.

6 A. The second mode switch.

7 Q. Isn't it possible that on the Kirkland side  
8 that a customer has taken a bus to the ferry landing and  
9 transferred from the ferry, wouldn't that be a third?

10 A. No. Well, it would be a third if they were  
11 to go that far. However, most of our ridership we  
12 expect, our target market, is within three quarters of a  
13 mile walking distance of the initial shuttle. I'm not  
14 anticipating many people taking the shuttle, the 27, to  
15 downtown and then riding the bus to somewhere else.  
16 Remember, our market analysis and our ridership  
17 projections are based on people making the single switch  
18 at Leschi. And if they ride a second mode, such as a  
19 bus on the east side to the east side terminal which is  
20 wherever it is, there's the two mode -- there's the two  
21 mode switches that we're accounting for.

22 MR. KOPTA: Okay, thank you, that's all I  
23 have.

24 THE WITNESS: Are you sure?

25 MR. KOPTA: All I have for now. I always

00640

1 reserve --

2 THE WITNESS: Mr. Kopta, this is it.

3 MR. KOPTA: No, no, no, I always get more  
4 chances. Somebody asks some more questions, I ask more  
5 questions.

6 MR. CRANE: Does the Bench agree with --

7 JUDGE MOSS: Well, I should interject that we  
8 do try to avoid multiple rounds. We hope that we will  
9 have redirect and recross and be done. That certainly  
10 would be our desire in the absence of some showing of  
11 extraordinary need.

12 JUDGE HENDRICKS: I will just break that rule  
13 right now.

14 JUDGE MOSS: We always get to break the  
15 rules.

16

17 E X A M I N A T I O N

18 BY JUDGE HENDRICKS:

19 Q. A couple of questions came to mind, and if I  
20 could, one just relates to the safety and scheduling  
21 concerns Judge Moss alluded to earlier in the rowing  
22 clubs. It's my understanding that there's a rowing club  
23 at or near Seward Park, Mount Baker Rowing Club possibly  
24 could be the name, that as I understand it runs on a  
25 nightly basis or something like that in the summers. I

00641

1 don't know the specifics. And so I will ask you if  
2 you're aware of any such activities there on that  
3 western side of the lake in between Seward Park and  
4 I-90.

5 A. I know the club exists. I have actually seen  
6 it I believe just off the southern tip of Mercer Island  
7 directly west I believe is where it's located. Yes, I  
8 know it. I am aware that the club is there.

9 Q. The one I'm referring to is if you look right  
10 in the Bay in Seward Park right there, it's where the  
11 hydroplanes dock as well.

12 MR. DAVIDSON: In fact, it's higher than  
13 that. It's that bay right there.

14 Q. Oh, okay, my fault, I have gone too far,  
15 sorry. Are you aware of that?

16 A. Probably, if it has the sail boats there  
17 also, the small sail boats.

18 Q. Yes.

19 JUDGE HENDRICKS: Mr. Davidson, is that run,  
20 do you know, by the Parks Department of Seattle?

21 MR. DAVIDSON: I do not know.

22 JUDGE HENDRICKS: Okay.

23 MR. DAVIDSON: I think it may be a leased  
24 facility within a Park facility.

25 BY JUDGE HENDRICKS:

00642

1 Q. Has the Parks Department indicated to you any  
2 concerns about that concern when you're also talking  
3 with them about the Leschi dock?

4 A. No, sir, they have not.

5 Q. All right. And the other question I have is  
6 in regard to follow up on one of Judge Moss's questions  
7 about granting authority to two carriers over the same  
8 route. And you had said that if that were to happen, it  
9 would be impossible in all likelihood for both carriers  
10 to operate profitably.

11 A. At this time, that would be the case. 20, 30  
12 years from now, it may be different.

13 Q. So if the Commission were to do that, grant  
14 two, grant authority to more than one carrier, what  
15 would you see the result being, practically speaking;  
16 what would the carriers do? Would they not serve it,  
17 would there be competition of some kind and the result  
18 of which might be one carrier coming out of it and  
19 providing service, and what would you anticipate?

20 A. Are you asking if one route to two terminals,  
21 two same terminals, were granted to both companies?

22 Q. Yes.

23 A. If that would --

24 Q. Yes, and I imagine it might be a different  
25 result depending on which route we're talking about, but

00643

1 yeah, generally speaking.

2 A. That would make -- that would significantly  
3 impact the financial projections. It would probably  
4 make it extremely difficult. It would affect service in  
5 a negative way with the companies taking every possible  
6 -- every possible shortcut they can and could compromise  
7 the safety of the passengers and the crew and even the  
8 quality of the vessels.

9 Q. So you think both, in a circumstance such as  
10 that, you think both carriers would end up serving?

11 A. Both carriers would likely end up serving,  
12 and until it's -- I have never projected that. It's  
13 just you're throwing stuff at me.

14 Q. Right. So one possibility might be that both  
15 carriers would serve, and that's where the competition  
16 would play itself out, two carriers trying to establish  
17 the customer base and the route?

18 A. You're asking me a question, Your Honor,  
19 which has a lot of implications.

20 Q. Yeah.

21 A. I have not considered, say for example, if  
22 Seattle Harbor Tours and Dutchman Marine were to receive  
23 the permits for sharing everything. Just off the top of  
24 my head, Your Honor, it seems like that was the whole  
25 point of a UTC permit was to offer a quality service to

00644

1 the public, a regulated service, and not allow it to  
2 turn into a free for all, which is in essence what this  
3 would be doing.

4 Q. I'm not suggesting by any means that that's  
5 what the Commission will do. I'm just exploring a way  
6 out, all the possibilities.

7 A. I understand.

8 JUDGE HENDRICKS: Thank you.

9 MR. DAVIDSON: Is there any possibility of  
10 one follow-up question along that same line?

11 JUDGE MOSS: Yeah, let's try to get all the  
12 Bench and cross-examination out before lunch, and then  
13 that will give Mr. Crane an opportunity to hone his  
14 questions for redirect over luncheon recess.

15

16 R E C R O S S - E X A M I N A T I O N

17 BY MR. DAVIDSON:

18 Q. Mr. Dolson, from your experiences in  
19 discussing ferry service on the East Coast, are you  
20 familiar with or are you aware of the existence of two  
21 competing services between Boston Logan Airport and  
22 downtown Boston?

23 A. I am.

24 Q. And do you have any perception of the  
25 commercial viability of both of those services?

00645

1           A.     Those are very, very high volume routes.  
2 They are -- I mean there is -- it goes directly from  
3 Logan Airport, I mean right at the airport, across the  
4 way to downtown Boston. That's one aspect. A second  
5 aspect is that one of those companies serves only that  
6 route, charges twice the price, and a second company  
7 serves a triangular route from I believe Hingham to  
8 Boston and triangulates over to Logan, so it's in  
9 essence serving Hingham to Boston and also to -- I mean  
10 to downtown Boston and then also to the airport.

11                 So there may be two vessels, two companies  
12 running the same route, but the one service running from  
13 Hingham is in essence a Hingham to the airport or  
14 Hingham to downtown service. And by triangulating,  
15 they're able to offer that expanded service. Hence,  
16 that's where we have the idea for Carillon Point. So I  
17 don't see -- I mean they may be competing, but I don't  
18 expect that the two companies are solely serving that  
19 route and competing directly on that route alone.

20                 JUDGE HENDRICKS: Mr. Kopta.

21                 MR. KOPTA: See what happens.

22

23                 R E C R O S S - E X A M I N A T I O N

24 BY MR. KOPTA:

25                 Q.     I wanted just to follow up on the response

00646

1 that you had to Judge Hendricks' question. You're not  
2 testifying that both companies in that circumstance when  
3 both companies are authorized --

4 A. Boston?

5 Q. No, no, we're talking about here. And if you  
6 want a specific example, both companies operating from  
7 Renton in one case to Leschi Park and in the other case  
8 to the University of Washington. You're not suggesting  
9 that both carriers would compromise safety or the  
10 quality of their service to cut costs in order to be  
11 able to compete with each other, are you?

12 A. It's possible that in order to be financially  
13 viable and to financially survive. Of course, I'm not  
14 -- I'm not alluding that Seattle Harbor Tours or  
15 Dutchman Marine wants to compromise the safety of the  
16 passengers or the crew or the, you know, the service,  
17 but how much do you have to cut back to support the  
18 ridership projections and to keep both businesses going.  
19 As I see it, according to the projections that were  
20 supplied by Seattle Harbor Tours, there's not exactly a  
21 200% profit margin here. It's, you know, it's --  
22 there's a profit margin, it's not very big. And I  
23 assume that Seattle Harbor Tours, just like Dutchman  
24 Marine, wants to make the most profit on the operation  
25 as they can, thus in the assumptions would have assumed

00647

1 that or worked to get the cost as low as possible within  
2 reason to provide a quality service. Does that make  
3 sense?

4 Q. It does, and you would agree with me that the  
5 quality of service is what allows you to attract  
6 customers, isn't it?

7 A. Yes, it is.

8 Q. So if you reduced the quality of your service  
9 by cutting costs, you would also reduce customers?

10 A. Ridership.

11 Q. So it would be self defeating if you were to  
12 take that route, would it not?

13 A. Take the route of?

14 Q. Of cutting the quality of service.

15 A. It would, it would -- it would affect both  
16 companies directly and significantly.

17 Q. And, in fact, isn't the goal of competition  
18 to be able to improve the quality of service?

19 A. It is.

20 MR. KOPTA: Thank you, that's all I have.

21

22 E X A M I N A T I O N

23 BY JUDGE HENDRICKS:

24 Q. And I will just I think that the main thing  
25 that the Bench would want to know here is, if the

00648

1 Commission were to grant authority to two carriers in  
2 the circumstance that we're talking about, would  
3 Dutchman Marine continue with its business plan?

4 A. Dutchman Marine would -- as the business plan  
5 exists now, it would not work. The business plan would  
6 have to be modified, and the business model would have  
7 to be significantly changed to allow the company to be  
8 viable.

9 JUDGE HENDRICKS: Okay, thank you,  
10 Mr. Dolson, very much.

11 Let's recess for lunch, and let's be back  
12 promptly at 1:15 to continue.

13 (Luncheon recess taken at 12:15 p.m.)

14

15 A F T E R N O O N S E S S I O N

16 (1:20 p.m.)

17 JUDGE HENDRICKS: Mr. Crane, you have  
18 redirect questions.

19 MR. CRANE: Thank you, Your Honor.

20 JUDGE HENDRICKS: Mr. Dolson, take the stand.

21

22 R E D I R E C T E X A M I N A T I O N

23 BY MR. CRANE:

24 Q. Mr. Dolson, earlier in your testimony, you  
25 talked about what you characterized as premium services

00649

1 provided by your ferry. Could you elaborate on that a  
2 little bit more, what you mean by premium service?

3 A. I see two types of service in the  
4 transportation industry, mass transit versus premium.  
5 Premium merely identifies the fact that it's not a  
6 subsidized service, maybe offering -- have more  
7 flexibility in the services that you do offer as a  
8 company to the public.

9 Q. Okay. And are you contrasting premium  
10 service with a different type of service?

11 A. Not necessarily a different type. I mean  
12 getting people from one place to another no matter how  
13 they do it is still a service. But nonetheless, it's  
14 the amenities, for example, or the frequency of the  
15 service which gives it a different characteristic.

16 Q. Okay. In the earlier testimony, there was a  
17 question about what the effect would be on Dutchman  
18 Marine if, for example, ridership from Renton was  
19 allowed to be split between two companies providing  
20 passenger ferry service to Seattle, one, for example,  
21 terminating at Leschi, and the other, for example, at  
22 the University of Washington. And could you describe  
23 for me what the effect on Dutchman Marine would be if  
24 that was to occur?

25 A. Besides the significant reduction in

00650

1 ridership, which would basically translate into  
2 significant reduction in revenue, it might make the  
3 service -- it might make Dutchman Marine unable to  
4 continue offering the service because of lack of  
5 profitability.

6 Q. Okay. How serious of a risk is that, do you  
7 think?

8 A. It's a very serious risk.

9 Q. Why?

10 A. The model that we have generated for  
11 everything from the ridership, the cost, the operating  
12 costs, is based on being one company serving that route,  
13 not necessarily competitive or companies competing to  
14 try to get the ridership. If that were the case, it  
15 would involve a totally different financial model.

16 Q. Okay. Let me talk for a minute about or ask  
17 you a question now about different locations on Lake  
18 Washington. My understanding is that Dutchman Marine is  
19 going to be -- is proposing to provide service between  
20 Seattle and four routes on locations on the east side of  
21 Lake Washington, Kenmore, Kirkland, Bellevue, and  
22 Renton. What is your -- what is your belief as to what  
23 could occur in terms of ridership and the sources of  
24 those riders once a service is initiated to those  
25 locations?

00651

1           A.     Market will evolve.  The ridership market  
2 will start to evolve into something that will increase  
3 the ridership aboard the ferries and allow private  
4 companies such as Dutchman to offer more flexible  
5 service.  That translates into more frequent service,  
6 maybe even faster boats, upgraded equipment.  But we  
7 expect the markets to develop around the terminals to  
8 allow -- let me think for a second.  The ridership will  
9 develop around the terminals, thus creating a cycle of  
10 developing better and more frequent service.

11          Q.     Okay.  Why is it that you think that  
12 ridership will develop around the terminal?

13          A.     It has in many other ferry systems.  It's  
14 been stated many times that the public transportation  
15 offering can affect where people live, what kind of  
16 lifestyle they live in terms of whether they choose to  
17 drive to work or to commute by passenger ferry, for  
18 example.

19          Q.     Okay.  Now also in earlier testimony a  
20 question was raised with respect to competition, and I  
21 don't remember who asked the question, but the question  
22 was raised, you know, what could be the effect or what  
23 might be the effect on your operation should competition  
24 occur.  And you referenced there may be a concern about  
25 safety.  Could you elaborate on that a little bit?

00652

1           A.     That's the extreme. With the profit margins  
2 that we're looking to have, if there were direct  
3 competition, direct competition meaning same two  
4 terminals, two competing companies serving the same  
5 routes, it would force the companies to be very cautious  
6 about their spending, watch their costs. And something  
7 might inadvertently happen such as a crew member who is  
8 conscious of this cost saving effort might do something  
9 unknowing to management or to the owners of Dutchman  
10 Marine. If something like that happened, I mean it's  
11 out of our control to react or to deal with it on the  
12 spot. We will learn about it after it happens.

13          Q.     Okay. Well, I understand then, your concern  
14 is that something may happen that's outside of the  
15 company control?

16          A.     Yes.

17          Q.     All right. There is also a question about  
18 what would the effect be on Dutchman Marine if I guess  
19 the term is lock, if it actually had a lock or in other  
20 words the only authority to operate passenger ferry  
21 service to the four locations on the east side of Lake  
22 Washington, in other words if it had the sole service  
23 granted from Seattle to Kenmore, Kirkland, Bellevue, and  
24 Renton, what would be the effect on the ability to  
25 provide service to have all four routes granted to

00653

1 Dutchman Marine say at this time as opposed to some  
2 future time?

3 A. It would allow Dutchman Marine to actively  
4 put in place a transportation system, a network, a web  
5 if you would like. These are the primary routes. These  
6 are the heart and core of Dutchman Marine's ridership,  
7 and it is the beginning of a transportation network  
8 linking various locations around the lake.

9 For example, look at the Southport  
10 development to Leschi run. You go Southport to Leschi,  
11 and if there were also a run from Kirkland to Leschi,  
12 that's a transportation system. There is a possibility  
13 if you have one company running the two routes that they  
14 can connect and have a seam, you know, have a passenger  
15 transfer that the passenger doesn't have to pay an  
16 additional fare, and it will allow that person to access  
17 Kirkland rather easily. It's a network, and that is why  
18 the granting authority or the authority to operate all  
19 those routes is so key, so important.

20 MR. CRANE: Okay. Now earlier today, there  
21 was discussion between Judge Moss and Judge Hendricks  
22 and I guess us, Dutchman Marine, with respect to  
23 ridership figures, and I did indicate that we are  
24 prepared to provide an exhibit and information with  
25 respect to ridership for all four phases of Dutchman

00654

1 Marine's planned operations. And, Your Honor, I do have  
2 those exhibits now, and I would like to introduce them  
3 as Dutchman Marine's next exhibit and, of course,  
4 provide copies to counsel and the Bench, if I might do  
5 so.

6 JUDGE HENDRICKS: This exhibit is offered as  
7 annual daily ridership averages for Phases I, II, III,  
8 and IV of Dutchman Marine's proposed operations.

9 JUDGE MOSS: It's marked for identification  
10 as Exhibit 146.

11 JUDGE HENDRICKS: Are there any objections to  
12 admitting this exhibit?

13 MR. KOPTA: No objection, Your Honor,  
14 although I would note that in the lower left-hand  
15 corner, it says Lake Sprite confidential. Am I correct  
16 that this is not intended to be a confidential document?

17 MR. CRANE: That's correct, it's not intended  
18 to be a confidential document. I think that was done  
19 out of caution.

20 JUDGE HENDRICKS: The exhibit is admitted as  
21 identified.

22 BY MR. CRANE:

23 Q. Mr. Dolson, have you seen this document  
24 before, Exhibit 146?

25 A. I have.

00655

1 Q. And could you describe what it is?

2 A. This is the ridership projections, the base  
3 line ridership projections for the various phases and  
4 the various routes of the Dutchman Marine line.

5 Q. All right. There is a left-hand column that  
6 says destination with the five terminuses or termini of  
7 your proposed service, and then to the right of that  
8 we've got four different phases and the word base line.  
9 What does that mean?

10 A. This is a destination based ridership  
11 projection. On the left-hand column, it indicates the  
12 municipality or the area which would generate the  
13 traffic indicated under the phases. For example, Phase  
14 I base line for city of Seattle, the base line ridership  
15 projection is about 1,200 trips generated by the city of  
16 Seattle.

17 Q. What's base line mean?

18 A. Base line is the standard. That does not  
19 take into account seasonal fluctuations or ramping.

20 Q. Okay, all right. And then the phases, as we  
21 have talked about, in those correspond to providing  
22 service to Phase I Kirkland, Phase II Renton, Phase III  
23 Kenmore, Phase IV Bellevue?

24 A. Precisely.

25 Q. Could you describe what the numbers mean in

00656

1 each of the columns for each of the cities? So start  
2 with Phase I base line, and could you describe those two  
3 numbers and what they mean?

4 A. Okay. Phase I base line, the route would be  
5 between Seattle and Kirkland. It's indicating that if  
6 you take the sum of those two numbers, which is about  
7 1,400, it's indicating 1,400 trips will be generated on  
8 average daily throughout the year between Seattle and  
9 Kirkland.

10 Q. So you add those two up, okay. All right,  
11 and that's based on a projection of annual daily  
12 ridership?

13 A. Yes, it is.

14 Q. Okay. All right. And then that's projected  
15 to approximately one year, that's when you expect Phase  
16 I to last?

17 A. Yeah, this is an annual, yeah, this is an  
18 average daily ridership.

19 Q. Okay. Now Phase II projects adding a second  
20 run for Renton, and could you describe what those  
21 numbers mean in that column?

22 A. The numbers, for example, the city of  
23 Kirkland, if you notice the average between Phase I and  
24 Phase II increases from 202 trips generated a day by  
25 Kirkland to 255 trips generated. That's just through

00657

1 market growth. Now the city of Renton would generate  
2 296 trips, and that's basically --

3 Q. Now when you say a trip, you mean a passenger  
4 trip?

5 A. A passenger trip.

6 Q. Okay. So that could be composed of a number  
7 of actual voyages with a number of people per voyage; is  
8 that right?

9 A. Exactly.

10 Q. All right.

11 A. And you look at the city of Seattle, the  
12 ridership increases by about 600 trips per day, that's  
13 because of the Renton influence.

14 Q. Okay. And then could you describe what the  
15 Phase III numbers mean?

16 A. Phase III adds in the city of Kenmore, which  
17 is expected on base line to generate about 271 trips a  
18 day. And the next most obvious increase is city of  
19 Seattle at about just under 2,400 passenger trips a day.  
20 This is, mind you, two different terminals that we're  
21 expecting between either Leschi and the University of  
22 Washington, and so it does not mean that 2,400 trips are  
23 going to go through --

24 Q. One location?

25 A. -- one location.

00658

1 Q. All right. And I see the number for Kirkland  
2 has gone up from Phase II, and what do you attribute  
3 that to?

4 A. Yes, from Phase II to Phase III, Kirkland  
5 ridership increases from 255 trips to 302 trips, and  
6 Renton increases from 296 to 367.

7 Q. Okay. And what about Phase IV, can you  
8 describe those numbers?

9 A. Phase IV adds in the city of Bellevue.

10 Q. Okay.

11 A. And that base line is 690 trips average per  
12 day generated by the city of Bellevue on the base line.

13 Q. Okay. Now I see Kirkland stays about the  
14 same between Phase III to Phase IV?

15 A. Yes, it does.

16 Q. What do you attribute that to?

17 A. Mainly the limit of the size of the boats.

18 Q. Okay. And then Renton increases between  
19 Phase III and IV?

20 A. Yes, it does.

21 Q. Okay.

22 A. Renton goes from 367 trips to 464 trips, and  
23 Kenmore goes from 271 trips to 366 trips.

24 Q. And what do you attribute the increase in  
25 ridership from?

00659

1 A. Awareness of the service.

2 Q. Okay. Mr. Dolson, are you aware of how these  
3 numbers were generated?

4 A. I am.

5 Q. Could you describe that to me in general  
6 terms?

7 A. They were generated by taking municipal or  
8 traffic engineer or municipal generated trip numbers for  
9 various developments or residential units within walking  
10 distance of terminals or shuttle stops and applying a  
11 take rate such as an assumption based on the  
12 attractiveness of the service to that particular  
13 location.

14 Q. When were these numbers generated, not  
15 necessarily the numbers that are sitting on this  
16 exhibit, but when were the numbers generated for the  
17 ridership projections for all four cities on the East  
18 Lake Washington?

19 A. I think we stopped working on the ridership  
20 projections about two months ago.

21 Q. Okay.

22 A. At that time, we deemed that the information  
23 that we had was very reliable and it did not warrant  
24 further work.

25 Q. And how did you make a determination that the

00660

1 information was reliable, as you consider it?

2 A. Repetitive results.

3 Q. Sorry?

4 A. Repetitive results, talking to different  
5 government agencies. For example, the numbers were  
6 starting to look similar or like, so we said this is  
7 reasonably accurate for our purposes.

8 Q. Okay. And how did you decide on the take  
9 rates, as you call them? What are they, and how did you  
10 make those decisions?

11 A. The take rates were based on input from  
12 various business managers or business owners as to what  
13 percentage of their customers they believe would come by  
14 ferry service, for example. We applied not only that,  
15 but we looked at, for example, hotel occupancy rates,  
16 which drop in the winter. And then we also, well, I  
17 spoke directly to David, our marketing director, and we  
18 determined what we felt would be reasonable and  
19 realistic for generating these figures.

20 Q. Okay. Does it also include take rates from  
21 residential developments such as apartment buildings --

22 A. It does.

23 Q. -- or condominium buildings?

24 A. It does.

25 Q. So take rate doesn't mean just from

00661

1 businesses, but it's any location where ridership is  
2 drawn from?

3 A. Yes.

4 Q. Okay. And does this Exhibit 146 represent in  
5 your view your best information, or could you describe  
6 it for me?

7 A. It does, it represents what we believe to be  
8 the most -- is the best summary of our ridership  
9 projections that we have.

10 MR. CRANE: Okay, those are all the questions  
11 I have at this time on redirect.

12 JUDGE HENDRICKS: Mr. Kopta, do you have any  
13 additional questions based on that?

14 MR. KOPTA: Just one question, I think, I  
15 couldn't resist, since, you know, I always to ask some  
16 additional questions.

17

18 R E C R O S S - E X A M I N A T I O N

19 BY MR. KOPTA:

20 Q. Are these the numbers that you provided to  
21 Mr. Hibma in the development of the financial statement?

22 A. This is the summary. It's a summary of the  
23 base line projections. As indicated on this sheet, it  
24 does not include ramping mechanisms. For example, I  
25 don't expect 1,400 trips the first day.

00662

1 Q. I assumed that that's what the notation on  
2 the exhibit meant. At what point do you expect 1,400  
3 trips between Seattle and Kirkland?

4 A. For the Kirkland route, if I remember  
5 correctly, we have to ask Mr. Hibma, it's either eight  
6 months or ten months for the curve.

7 Q. And did you provide Mr. Hibma with the  
8 progression analysis basically of ridership, or did he  
9 do that?

10 A. That came from Mr. Bryan Rubin.

11 Q. Okay. But it's not something Mr. Hibma  
12 developed, it was something that you provided to him and  
13 said, here's what we project the ridership to be on a  
14 phased in basis or a ramped up basis, and he developed  
15 the financial statement based on that information?

16 A. Exactly. Mr. Rubin, when I first did it, I  
17 assumed a linear curve. Mr. Rubin, who has -- Mr. Rubin  
18 has a lot more experience in realistic projections. He  
19 said linear is not the way to go, and he gave me the  
20 model.

21 MR. KOPTA: Thanks, those are my questions.

22 JUDGE HENDRICKS: Are there any other  
23 questions?

24 MR. THOMPSON: None.

25

00663

1 E X A M I N A T I O N

2 BY JUDGE HENDRICKS:

3 Q. Mr. Dolson, I think that at the beginning of  
4 this portion of your testimony on redirect, you were  
5 talking about a circumstance where, a hypothetical where  
6 the Commission, if the Commission were to grant  
7 authority to two carriers, not on the same route, but at  
8 two points of a route, and that -- did you say that that  
9 would render your existing business plan unfeasible?

10 A. It would. If you -- if -- I'm assuming the  
11 catching point, Your Honor, is between the University  
12 landing point and Leschi Park. It would, it would -- it  
13 would limit us, and we would not be able to progress  
14 unless it would -- it would change the entire model.

15 Q. And again, what was the rationale or the  
16 basis for your statement?

17 A. We're planning to make a network, a  
18 transportation network, pedestrian connection if you  
19 will, around the lake. In order to allow such a network  
20 to happen, unless companies were to have a group hug and  
21 just agree on some kind of fare sharing system or  
22 something, which is not very likely, it would not allow  
23 that full transportation system to work.

24 Q. But if the companies could come to an  
25 agreement, hypothetically speaking, say in some similar

00664

1 manner that you suggest might be possible with Metro  
2 Transit for seamless transfer and seamless transfer were  
3 possible, would there be other issues that would make  
4 your current business plan unsupportable?

5 A. There would be, Your Honor, in that there  
6 will be scheduling conflicts, which company dictates the  
7 schedule. One vessel might arrive and then 20 minutes  
8 later the connecting vessel might arrive. If it's one  
9 company, that kind of coordination will be very  
10 feasible.

11 Q. It certainly makes it -- it would make it  
12 easier, but I guess what I'm asking is are you saying  
13 that it would be impossible for you to --

14 A. I don't foresee it happening as smoothly as  
15 we would all like to happen.

16 JUDGE HENDRICKS: Okay, thank you.

17 MR. CRANE: May I ask a follow-up question to  
18 yours, Judge Hendricks.

19 JUDGE HENDRICKS: Yes, you may.

20

21 R E D I R E C T E X A M I N A T I O N

22 BY MR. CRANE:

23 Q. Mr. Dolson, would the effect of competition  
24 on two points of one route have an effect on your  
25 revenues?

00665

1 A. It would.

2 Q. Would it have any effect on your costs?

3 A. Likely, very likely it would. The --

4 Q. Did you have anything to add to that?

5 A. Could you rephrase, could you say your  
6 question again?

7 Q. Yeah, well, I'm just curious about, you know,  
8 if two companies had the right to serve the same  
9 terminals even though on different potential routes to  
10 say Seattle in different locations, would that have an  
11 effect on your revenues?

12 A. It would have an effect on revenue, yes.

13 Q. And would that have an effect on the  
14 company's profitability?

15 A. Oh, definitely.

16 Q. Could it have -- what kind of effect on your  
17 profitability could it have?

18 A. It would basically make -- probably make the  
19 company unprofitable unless, for example, service were  
20 offered much more frequently by one company, or there's  
21 many variables you're asking me about here, but.

22 Q. Well, let me ask you to assume that the  
23 competitive services are allowed to operate the first  
24 year, for example, Phase I, is that an important period  
25 for you to establish profitability?



00667

1                   D I R E C T   E X A M I N A T I O N

2 BY MR. CRANE:

3           Q.     Good afternoon, Mr. Hibma. For the record,  
4 would you please state your full name and for who you  
5 work?

6           A.     My name is Gary Alan Hibma, and I work for  
7 CFO To Go, which is a contractor CFO and accounting  
8 service.

9           Q.     Okay. What is your position currently; what  
10 job do you do?

11          A.     Right now I'm an interim chief financial  
12 officer for Dutchman Marine.

13          Q.     Could you briefly describe your  
14 qualifications as chief financial officer and how you  
15 got to this position?

16          A.     I have a Bachelor of Science in accounting  
17 and an MBA in management. I also have 21 years worth of  
18 accounting management and operational experience.

19          Q.     Okay. Could you describe your 21 years of  
20 experience?

21          A.     I started my career with Max Factor and  
22 Company as a plant controller and then was promoted at  
23 Max Factor to director of world wide inventory and cost  
24 accounting, in which I was involved in a lot of  
25 operational issues, consolidation of Max Factor during

00668

1 that time, and any cash flow issues and the business  
2 development financially. I left Max Factor when my job  
3 was dissolved and moved to the East Coast. From there,  
4 I went to a company called the Revcon and Apollo Motor  
5 Homes, where I was chief financial officer, and that was  
6 a Chapter 11 bankruptcy turn around.

7 Q. Turn around?

8 A. Chapter 11 bankruptcy turn around.

9 Q. Thank you. How long were you at that  
10 position for?

11 A. I was there for about six years, I believe.

12 Q. And what was your position at the Apollo  
13 Mobile Homes?

14 A. That's where I was for six years, Apollo and  
15 Revcon Motor Homes, two companies combined.

16 Q. And what did you do for that operation?

17 A. I was a chief financial officer.

18 Q. Okay.

19 A. And vice president.

20 Q. All right.

21 A. I left that company when it was sold, and I  
22 took a year off to come up here to the Pacific  
23 Northwest, and I built a house and so on and so forth.  
24 From there, I took a position at a start-up company  
25 named Piro Industries, and I was corporate controller

00669

1 for them. I was there for about three years during the  
2 initial start-up phase, and I was on the team that  
3 implemented rapid growth for them from 5 million to 33  
4 million in 36 months.

5 From there, I left Piro Industries and  
6 started a company with another individual partner that  
7 was in the software industry. And as time progressed  
8 there, I also simultaneously started another company  
9 that manufactured commercial aluminum windows from the  
10 Pacific Northwest to the California coast.

11 Q. That's both businesses, the software and the  
12 aluminum windows were start-up businesses?

13 A. They were start-up businesses. Basically the  
14 aluminum window business, we formed a shell company and  
15 acquired other companies that did the same thing and put  
16 them under a corporate shell.

17 Q. Okay.

18 A. The software company wasn't successful, but  
19 the window company was, and I eventually sold out of  
20 that company to eventually go off on my own to other  
21 situations. I took a one year contract position at a  
22 company named Daffy Graphics as the vice president of  
23 operations and finance, and I brought them through a  
24 management buyout and turned around their operations to  
25 the point where they were able to successfully ship and

00670

1 become profitable.

2           And then for the last year and a half, I have  
3 been a contract chief financial officer for various  
4 companies who are -- or doing projects in various  
5 companies around the Puget Sound area and again  
6 beginning to start organizing another company which is  
7 now purchasing a company here on the West Coast.

8           Q.     Okay. You mentioned you were corporate  
9 controller. How does a controller differ from say an  
10 accountant, or do you distinguish the two?

11          A.     A corporate controller is a higher level, mid  
12 level manager, not quite a chief financial officer,  
13 usually takes care of the daily accounting staff duties  
14 with the accounting staff, manages that operation, and  
15 also helps prepare financial statements for review by  
16 upper executive management staff, takes care of the  
17 daily banking operations, could actually negotiate some  
18 of those terms on covenants and whatever with the bank.

19          Q.     Okay.

20          A.     But usually not in the higher level  
21 discussions.

22          Q.     Okay. Have you worked for any transportation  
23 related companies in the past?

24          A.     My -- I grew up in a family that owns trucks  
25 and transportation products, so that still is part of my

00671

1 life. And the company I'm now in the process of  
2 purchasing is a company that exports long fiber foliage  
3 or hay to the Pacific Rim and the West Coast of the  
4 United States, 11 western states. That company has 50  
5 plus rolling stock or truck and uses large industrial  
6 ships or cargo containers to ship the foliage to Japan,  
7 Korea, Taiwan, Australia.

8 Q. When did you become involved with Dutchman  
9 Marine?

10 A. I became involved with Dutchman Marine  
11 approximately in mid March of this year.

12 Q. Okay. And how did you become involved?

13 A. I was finishing up another assignment with  
14 CFO To Go in Renton, and Tom Brochi, the owner of CFO To  
15 Go, asked me to take on the Dutchman Marine project due  
16 to some problems internally with one of our other  
17 members that was with Dutchman Marine at the time.

18 Q. Okay. And I assume you met with Mr. Dolson?

19 A. Mm-hm.

20 Q. And what were you asked to do when you first  
21 started?

22 A. I was asked to review their business plan and  
23 to learn about Dutchman Marine project and its goals and  
24 its philosophy. And then from there, I was asked to  
25 then review the financial numbers that led into the

00672

1 financial -- forecast the financial statements. Once I  
2 reviewed those numbers, it became obvious that there was  
3 some work that needed to be done with those financial  
4 forecasts to make them tie properly and according to  
5 generally accepted accounting principles.

6 Q. All right. And then did you undertake then  
7 to revise the financial statements and forecasts in  
8 accordance with general accounting, accepted accounting  
9 principles?

10 A. Yes, I did.

11 Q. All right. Maybe I could just have you take  
12 a look at Exhibit 19 in the notebook in front of you,  
13 which is Exhibit 119 in this proceeding. And my first  
14 question to you is, did you bring your glasses? This is  
15 very fine print. Can you read it all right?

16 A. Yeah.

17 Q. Feel free to take it out of the book if it  
18 makes it easier to read it. You're welcome to do that.

19 A. Okay.

20 Q. What I would like you to do is first of all  
21 kind of give a general explanation of what this -- what  
22 these, it looks like three, four pages, what they are  
23 kind of in brief, and then I would like to go -- have  
24 you start explaining really what the contents mean.

25 A. Okay. On the first page, 1 of 4, we see the

00673

1 first 12 months of the balance sheet under the  
2 assumptions that I was asked to prepare this exhibit  
3 for. Underneath that is the financial statement or what  
4 we call the profit and loss statement for the first 12  
5 months. On the page after that is the --

6 Q. Is that marked as summary income statement;  
7 is that what you're referring to?

8 A. Yes.

9 Q. Okay.

10 A. Summary income statement.

11 Q. Okay.

12 A. On the flip side of that page is the cash  
13 flow, projected cash flows. The reason that they're  
14 presented in the order that they are, this is the way  
15 the AICPA in the accounting standards boards has set for  
16 accountants to prepare financial records.

17 Q. AICPA is what again?

18 A. American Institute of Certified Public  
19 Accountants.

20 Q. And then what is the next group of numbers?

21 A. The next page of numbers are the next  
22 proceeding 6 months of operation after the first 12  
23 months of operation in the exact same order.

24 Q. Oh, I see, okay. So the first two pages  
25 are --

00674

1 A. For the first 12 months.

2 Q. And then the second page is the same  
3 information for the 6 months thereafter?

4 A. Right.

5 Q. So this gives us a view of 18 months?

6 A. Exactly.

7 Q. Okay.

8 A. It's to prove the fact that -- compare the  
9 fact that with this set of financials that I was asked  
10 to prepare that the company is financially feasible  
11 beyond the first 12 months.

12 Q. All right. Now did you prepare this exhibit?

13 A. Yes, I did.

14 Q. All right. Let's start with summary balance  
15 sheet; what is a balance sheet?

16 A. A balance sheet is basically the, oh, what I  
17 would call the health checkup sheet of the company. It  
18 shows the assets of the company such as cash, accounts  
19 receivable, which Dutchman Marine and Mr. Dolson will  
20 not have fixed assets, and the liabilities and equity.  
21 Assets and liabilities offset each other.

22 Q. Okay. All right, and then you've got a  
23 number of columns. One, it looks like opening, is  
24 that --

25 A. That's the opening.

00675

1 Q. Balance sheet is B/S.  
2 A. The opening balance sheet.  
3 Q. And then there's numbers for each of the 12  
4 months?  
5 A. Right.  
6 Q. Is it your understanding that operation will  
7 start certainly on January 1st, 2002?  
8 A. That's my understanding.  
9 Q. And is that a decision that you make or the  
10 company made?  
11 A. It's a decision that the company's management  
12 has made.  
13 Q. Okay. And could that change at all?  
14 A. It could.  
15 Q. Could operations start earlier or later?  
16 A. The operations, it could based on many  
17 different factors such as licensing or if the vessel is  
18 ready to be worthy for passenger service, just a number  
19 of different factors.  
20 Q. All right, okay. And then in this -- I guess  
21 it's easier for me to look at to understand this, the  
22 income statement. That's the second half of page one,  
23 the lower half; what do those numbers represent?  
24 A. These numbers represent the revenues and the  
25 operating expenses of the company as we come to a gross

00676

1 profit line, which you see a quarter way down on that  
2 portion of the statement. It also states other expenses  
3 within the company, such as selling and marketing  
4 expenses, general office and administration expenses.

5 Q. Okay.

6 A. Interest expense, if there's any depreciation  
7 and amortization.

8 Q. When I look at this portion of the financial  
9 statement, there's something what I would call a bottom  
10 line, which is the net income. How would you describe  
11 net income in financial terms?

12 A. Net income is basically the moneys that you  
13 have left after all expenses are paid.

14 Q. Is another word for that in kind of  
15 colloquial terms what people call profit?

16 A. That would be profit. But being that the  
17 company is a corporation and even though we see cash  
18 daily through the point of purchase, we have to use  
19 accrual methods of accounting to account for expenses.  
20 So in other words, expenses that are not paid for within  
21 the month are still accumulated as an expense during  
22 that month.

23 Q. Okay. And January 2002, assuming service  
24 starts that month, there is a bottom line figure of net  
25 income of is that a negative number?

00677

1 A. Yes, that is.

2 Q. Okay. And that's in other words a net loss  
3 of \$107,000 approximately?

4 A. Yes.

5 Q. Okay. How many vessels is this operation --  
6 are these numbers based upon?

7 A. This is one vessel.

8 Q. Okay, and that's the --

9 A. Yeah, that's the chartered vessel. It has a  
10 capacity of 150 passengers.

11 Q. Okay. And so you base this information on  
12 operating the Saint Nicholas?

13 A. Yes.

14 Q. Okay. And as the net income, as I see, that  
15 number changes as we move to the right between January  
16 and December 2002. Could you describe how that number  
17 changes and why?

18 A. The bottom line changes due to the fact that  
19 the cost of the vessel to operate does not change on a  
20 daily basis. It stays pretty what I would call, I don't  
21 want to call it stagnant, but even keeled. The reason  
22 the bottom line changes is the revenue increases, which  
23 means that we bring more profitability to the bottom  
24 line.

25 Q. Okay.

00678

1 A. We anticipate that by June, July that we will  
2 be at a profitability point at about 50% ridership.

3 Q. Okay.

4 A. So in other words pretty close to break even  
5 is what we would call it.

6 Q. And when you say June or July, that is  
7 assuming again service starts in January?

8 A. Assuming service starts in January.

9 Q. Okay.

10 A. And then have an increase in ridership.

11 Q. And then after 12 months, the number is  
12 summed or totalled?

13 A. Totalled.

14 Q. And then net income looks like a positive is  
15 this \$55,000; am I reading that correctly?

16 A. That's correct.

17 Q. All right. So after a year basically you're  
18 slightly above break even for the operations?

19 A. Slightly above.

20 Q. Now you mentioned earlier that the reason why  
21 the numbers change from negative to positive is the  
22 revenue increases. Could you describe where the revenue  
23 figures, and that will be the top line of the summary  
24 income statement, how that number changes and where it's  
25 from?

00679

1           A.     These numbers are derived from the ridership  
2 figures that are supporting the financial statements.  
3 All the financial data numbers and ridership numbers are  
4 interactive to each other. So in other words, they feed  
5 up into the top layer of our financial model, which is  
6 these pages that we are looking at. As we anticipated  
7 when we start service, even though we are anticipating  
8 an average number of trips or takes per day, that we  
9 obviously will not be having all those takes at the  
10 beginning. So what we have done is we have taken a  
11 percentage of those numbers or those riders and brought  
12 them to a financial statement. So we, in other words,  
13 we conservatively have put an income number down, and  
14 what we are anticipating is that we will start with 12  
15 1/2% of the anticipated base line.

16           Q.     12 1/2% in the first month?

17           A.     In the first month.

18           Q.     Actually, it looks like the first two months,  
19 is that -- am I looking at that number correctly?

20           A.     Right. Well, we also have assumed too that  
21 we are starting service in ill weather months, so it's  
22 going to take some, you know, word of mouth and coaxing  
23 to get the riders into the vessel itself, so we have  
24 carried that forward conservatively through the months.

25           Q.     All right. And so if I'm understanding your

00680

1 testimony, you're saying that the revenue proposed,  
2 excuse me, not proposed, the estimated revenue or  
3 projected revenue for the 12 months, the first year of  
4 operations, is based on base line of operations, base  
5 line of ridership?

6 A. Base line of ridership, right.

7 Q. Okay. And is the December 2002, is that 100%  
8 of base line, or how does that work?

9 A. Yes. When we -- when we start into the  
10 October, November time frame through the end of the  
11 year, we expect to be at 100% of base line for that  
12 period.

13 Q. Okay.

14 A. And that would be the winter period.

15 Q. Okay. Do you know what the other percentages  
16 of base line are for the various months? We have talked  
17 about the first two months being 12 1/2%; do you know  
18 what the other figures are off the top of your head?

19 A. The March and April time frames are 25%. The  
20 May time frame is 37 1/2%. At June, it jumps to 50% and  
21 then systematically goes up to 100% in September,  
22 October, and stays the same through the rest of the  
23 year.

24 Q. Okay. If the revenue is at 100% in  
25 September, October, why does the revenue continue to

00681

1 increase?

2 A. The revenue continues to increase based on  
3 the fact that we will at that time be changing our  
4 ridership base line to increase for the next year, for  
5 the next phase, so it will systematically increase.

6 Q. Okay. Now in terms of all the detail, I  
7 wasn't going to ask you all the questions about how you  
8 came up with each one of the numbers, because I'm sure  
9 the judges and everyone else in this room would be bored  
10 if I did that, but if we wanted to, and I didn't hear  
11 any protests to that so I think that was probably a  
12 correct assumption, if we wanted to get a bottom line  
13 opinion from you based on your financial calculations,  
14 is there one set of numbers in this financial statement  
15 on page one that we could reference saying this bottom  
16 line is how the company is expected to fare at the end  
17 of the year?

18 A. That's really a loaded question.

19 Q. Okay.

20 A. Doing forecasts for a start-up company that  
21 has no operating data to go on, we can do financial  
22 models all day long and in many different ways. Based  
23 on my professional experience and my talking with the  
24 other management members of Dutchman Marine, I believe  
25 that this financial model that we see right here, based

00682

1 on the way that I was asked to present these numbers, is  
2 the best -- is the best estimate of what the -- how the  
3 company will fare in the first year of operation or --

4 Q. And that is --

5 A. -- the first 12 months of operation.

6 Q. And that is with a slightly above break even  
7 point overall after 12 months?

8 A. Right.

9 Q. Okay. If we look at the second page, the  
10 lower half is a continuation of the summary income  
11 statement for the next six months; is that correct?

12 A. That's correct.

13 Q. All right. And then could you describe for  
14 me the progression of net income as we left it at the  
15 end of 12 months to finishing off at 18 months?

16 A. This second set of numbers for the second  
17 proceeding year of operation is still based on one  
18 vessel at 100% of the ridership base line. And that  
19 stays stable through the proceeding year. And that's  
20 why the bottom line is exactly the same all the way  
21 through.

22 Q. Okay.

23 A. So we don't expect any deviation from that  
24 other than that it probably will go up, but we can't  
25 estimate these figures going up based on information

00683

1 that we don't have.

2 Q. You will have to speak up, Mr. Hibma, it's  
3 very difficult to hear with the fans on.

4 A. Okay.

5 Q. Thanks. Now I guess one thing I haven't even  
6 asked you, and I understood this but I want to make sure  
7 this is your testimony, is this, the figures from these  
8 two documents, sorry, these two pages of this document  
9 are based on one vessel, one route; is that right?

10 A. That's right.

11 Q. And what route is that?

12 A. That's the Seattle to Leschi.

13 Q. Leschi to?

14 A. I mean Kirkland-Leschi.

15 Q. All right. So it's one route, one vessel,  
16 for 18 months?

17 A. Right.

18 Q. Now again, back on page I guess it's I said  
19 the second page, but I meant page 3 of 4 where we have  
20 this second set of income statements for the next 6  
21 months, and I see that the net income for each of the  
22 months continues to rise at least for several months,  
23 well, I guess all the months, and what's the total net  
24 income after 18 months?

25 A. The total net income will be about \$950,000

00684

1 if you take the \$50,000 from the previous 12 months and  
2 add it to -- it's \$890,000.

3 Q. Oh, I see, so the 894 is just for the six  
4 months?

5 A. That's right.

6 Q. Oh, okay. And how would you characterize the  
7 profitability of Dutchman Marine between 1 and 18  
8 months?

9 A. The profitability is still based on best  
10 estimates or best forecasts that we have.

11 Q. Okay.

12 A. And we're using conservative numbers to get  
13 us to that position.

14 Q. Okay.

15 A. And these are very conservative numbers based  
16 on ridership data that we have.

17 Q. Okay. And would it be fair to say that after  
18 12 months, the company is expected to be just above  
19 break even?

20 A. Right.

21 Q. And then how would you characterize the  
22 company's profitability after 18 months?

23 A. It should be very, very good to go forward.

24 One of the things that's hard to see in these  
25 projections and it's hard to bring out is every tenth of

00685

1 a percent of ridership increase adds significantly to  
2 the bottom line.

3 Q. Every one tenth of a percent?

4 A. Every one tenth of a percent.

5 Q. How so?

6 A. Once we pass a break even point, the economy  
7 of scale drops significantly in expenses for each rider,  
8 so more of the passenger fare drops to the bottom line,  
9 including concessions.

10 Q. Because the costs are mostly paid for at that  
11 point?

12 A. That's right.

13 Q. Okay.

14 A. And that's -- and that's everything from fuel  
15 consumption to crew costs to all the other fees  
16 involved.

17 Q. So when you say every one tenth of a percent,  
18 you're talking about ridership?

19 A. Ridership.

20 Q. Or revenue?

21 A. Well, you can transfer, ridership and revenue  
22 is the same.

23 Q. All right, so small changes increase  
24 significantly?

25 A. Small changes increase significantly.

00686

1 Q. Now also on this financial statement on the  
2 back, let's see, page two, you've got cash flow, you  
3 said that was important, why? Why are you looking at  
4 cash flow?

5 A. Cash flow pays the bills. That's the most  
6 number one thing. And the other thing that it does is  
7 it shows the financial health of the company. We --  
8 there -- there's a time in the life of a company where  
9 they might not be making a profit because of non-cash  
10 expenses, but they will have a positive cash flow  
11 because you're not spending those -- you're not sending  
12 those dollars out.

13 Q. Okay. And going back to page one on the  
14 summary balance sheet, there is a line called total  
15 assets, and you start off with \$560,000. What is that  
16 money?

17 A. \$450,000 of this \$560,000 is cash that we  
18 expect to have in the bank account on day one of  
19 operations.

20 Q. Okay. And why that number, and why the bank?

21 A. Why the number, that's a good question. This  
22 -- it's a number that I derived from the promised  
23 financial assistance that we will be getting through  
24 loans.

25 Q. Okay. And why is that money in the bank, why

00687

1 put in the bank that much money at one time?

2 A. So we have a cushion to operate comfortably.

3 Q. Okay. How does that money in the bank change  
4 over time the first 12 months?

5 A. Well, during the first 12 months -- we're  
6 going to be heavily losing money for the first months of  
7 operations, so we're going to need that money to pay --

8 Q. For the first how many months?

9 A. I didn't say exactly how many months.

10 Q. Oh, okay, sorry.

11 A. I just said for the first few months.

12 Q. Oh, okay.

13 A. For the first five months of the operation,  
14 we're going to be losing a significant amount of money.

15 Q. Okay.

16 A. So we need that money there to be able to pay  
17 for fuel and salaries of the crew. Vendors like to see  
18 that you have some cash in the bank so they know that  
19 they're able to get paid.

20 Q. Okay.

21 A. So that's another issue that we need to be  
22 concerned with.

23 Q. Okay.

24 A. So it's an insurance issue, it's a vendor  
25 issue, it's a comfortability issue.

00688

1 Q. All right. And then so you've got money  
2 going out the door, net money out the door for it looks  
3 like six months?

4 A. Mm-hm.

5 Q. Right?

6 A. That's correct.

7 Q. And then that's month seven, which is listed  
8 here as July, and does that start to stop the flow, in  
9 fact, put it back in the bank?

10 A. Yeah, the outflow of funds slows down  
11 significantly at that time.

12 Q. And it looks like the assets then increase;  
13 why is that?

14 A. We are anticipating that we will be gaining  
15 some cash at that time.

16 Q. And --

17 A. So that's one reason why the assets will  
18 increase.

19 Q. Okay. So is it correct to say that the  
20 increase in the assets are based on the increase, or  
21 sorry, the net income for each month?

22 A. That's correct.

23 Q. Okay. So as net income from a month adds  
24 money, that money gets put back in the bank?

25 A. Yes, this operation is a very cash intensive

00689

1 operation. There will be moneys changing every day like  
2 a grocery store.

3 Q. Why do you break out your expenses in terms  
4 of categories such as selling, general, and  
5 administrative, and that's called SG&A for short?

6 A. SG&A.

7 Q. And why do you do that, and why do you have  
8 categories on that; why do you do that?

9 A. Financial statements are prepared according  
10 to generally accepted accounting principles, and there's  
11 different areas of measures of profitability that CPAs  
12 in the accounting profession look at and the financial  
13 communities such as bankers look at as the financial  
14 health of a company. So we as a profession break or  
15 categorize expenses.

16 One thing, one way that -- where we see if a  
17 company is viable to continue on is if we have a gross  
18 profit from operations. If we have a gross profit after  
19 the operations are paid for, then we know that we can  
20 continue on with administration expenses and going down  
21 to the bottom line such as paying for interest on loans.

22 Q. Okay. All right. And going on to page three  
23 on the summary balance sheet again, total assets appears  
24 to continue to increase; and why is that again?

25 A. Through the accumulation of cash from

00690

1 profits.

2 Q. Okay. Would it be likely that all of that  
3 money stays in the bank account?

4 A. Oh, well, we could put it into a savings  
5 account, but that would still show up as cash on the  
6 balance sheet.

7 Q. Oh, okay, all right. Now in this Exhibit  
8 119, the financial statement we have just been talking  
9 about, does this include all revenue that the company is  
10 expecting to earn from operations?

11 A. No, we are expecting to do charter services.

12 Q. What is that, what are charter services?

13 A. Charter services are we plan on leasing the  
14 boat out on the -- or the vessel out on the weekends to  
15 private parties to have functions on such as, you know,  
16 weddings and business events.

17 Q. So this is separate?

18 A. Cruises.

19 Q. Separate from the ferry service?

20 A. Separate from the ferry service.

21 Q. Okay. Why is that done; why is the vessel  
22 chartered out?

23 A. To help revenue and to help offset other  
24 expenses.

25 Q. Okay. Why not continue to run the ferry say

00691

1 in the evenings and weekends?

2 A. Well, there comes a time in the day where  
3 there won't be any riders at any dock, so the vessels  
4 then go idle. So this is a way to not only promote the  
5 company, say that, you know, we have these, you know,  
6 boats here that can be used for other purposes too, but  
7 it's also an advertising way of making money to, you  
8 know, to offset costs during no ridership hours or  
9 evening hours.

10 Q. Does this financial statement also include  
11 all expenses that the company is expecting to have?

12 A. All expenses for the ferry service, yes, but  
13 not all the expenses.

14 Q. Okay. What expenses are not reflected in  
15 this?

16 A. The other large expense on that that I do not  
17 see in this ferry schedule is the moneys for the Metro  
18 service that we're planning on providing for our riders  
19 as they go across the lake.

20 Q. Okay.

21 A. And then also too it doesn't have the -- all  
22 the expenses if the vessel was chartered.

23 Q. Okay. And why were those charter income and  
24 charter expenses and the transit, I think you called it  
25 Metro expenses, why were those not included?

00692

1           A.     The management of Dutchman Marine decided  
2 after reading the code, I forgot what the code is  
3 called, WAC or --

4           Q.     Okay.

5           A.     After reading the WAC, that the only  
6 information that was needed to be provided was just  
7 information on the ferry ridership service.

8           Q.     Okay.

9           A.     And not services outside of that.

10          Q.     All right. So that's why the charter revenue  
11 was not put in there?

12          A.     That's correct.

13          Q.     Okay. And why did you not include the bus  
14 shuttle service costs or Metro costs?

15          A.     As stated before, management Dutchman Marine  
16 decided after reading the WAC codes, decided that that  
17 was not part of the ferry ridership services.

18          Q.     Okay. Now have you done a separate  
19 calculation that includes the projected charter revenue  
20 and also includes the projected transit or Metro costs?

21          A.     Yes.

22          Q.     Okay.

23                 MR. CRANE: Your Honor, as our next proposed  
24 exhibit, I have a summary statement, summary financial  
25 statement. And I apologize for the quality of the fax.

00693

1 The black line was not intended to be the black line.  
2 In fact, it's an orange line in the faxed copy. I'm  
3 going to ask Mr. Hibma to tell us what's in the hidden  
4 black line there.

5 JUDGE HENDRICKS: Go ahead.

6 MR. CRANE: This is exhibit --

7 JUDGE HENDRICKS: It will be identified as  
8 Exhibit 147, Dutchman Marine Consolidated Financial  
9 Model Summary. And again, it says privileged and  
10 confidential, but --

11 MR. CRANE: It's not intended to fall under  
12 the protective order.

13 JUDGE HENDRICKS: Let me just take a look at  
14 it.

15 Are there any objections to the admission of  
16 this exhibit as identified?

17 MR. KOPTA: Assuming that it is going to be  
18 explained what's in the header column.

19 JUDGE HENDRICKS: Oh, I see, we're missing  
20 some words, yeah.

21 BY MR. CRANE:

22 Q. Okay.

23 A. The very left-hand column is a description  
24 column of the summary lines. The very next block is it  
25 says total 2002, that's basically the first 12 months of

00694

1 operation or Phase I.  
2 Q. All right. Could you hold it up and then  
3 just show us where you're indicating now?  
4 A. On your left-hand side is a description.  
5 Q. Yeah.  
6 A. The next block going to your right is 2002 I  
7 have it labeled, but we have been calling it Phase I.  
8 Q. So it says Phase I in it?  
9 A. No, it does not.  
10 Q. What does it say on the orange copy that you  
11 have there?  
12 A. This says total 2002.  
13 Q. Okay. And what do the other columns say?  
14 A. Total 2003.  
15 Q. All right.  
16 A. Total 2004.  
17 Q. Okay.  
18 A. Total 2005.  
19 Q. Thank you.  
20 MR. CRANE: Your Honor, would you like us to  
21 get color photocopies and distribute them?  
22 JUDGE MOSS: I don't think it matters. We've  
23 got it labeled.  
24 MR. CRANE: Okay, I just want to make sure we  
25 have the right exhibit.

00695

1 BY MR. CRANE:

2 Q. Okay, Mr. Hibma, could you explain what this  
3 document is?

4 A. This document is --

5 JUDGE HENDRICKS: And I will just ask again,  
6 are there any objections based on what we see here?

7 MR. DAVIDSON: I would like to raise maybe a  
8 point of clarification. If the presumption has been  
9 that the Utilities and Transportation Commission doesn't  
10 control activities of boats that are dealing with  
11 charter service and doesn't address linkages or expenses  
12 associated with Metro bus service that might be provided  
13 to a ferry service passenger, I don't know that we need  
14 this or why it's relevant.

15 JUDGE MOSS: Okay, if you want to make an  
16 objection on the basis of relevance, you can do so.  
17 Otherwise, that's argument, so the parties can argue on  
18 their briefs what materiality there may be.

19 MR. DAVIDSON: That's fine.

20 JUDGE MOSS: So there's no objection.

21 JUDGE HENDRICKS: Hearing no objection, the  
22 exhibit is admitted as identified.

23 Please continue with your questioning.

24 BY MR. CRANE:

25 Q. Mr. Hibma, could you explain what this

00696

1 document is and then also what the numbers mean?

2 A. Okay. This document was prepared with all  
3 revenues anticipated, including charter revenues, and  
4 all expenses related to the total operation of Dutchman  
5 Marine. In the first column, the total 2002, that  
6 includes -- total revenue includes approximately, I wish  
7 I remembered, \$360,000.

8 Q. Of?

9 A. Of charter revenue.

10 Q. Okay. And that's projected charter revenue?

11 A. That's projected charter revenue.

12 Q. All right.

13 A. And also \$395,000 of expenses, variable  
14 expenses for Metro.

15 Q. And how are those transit or Metro expenses  
16 determined?

17 A. We determined that we -- we determined that  
18 100% of the ridership of the ferry was going to take a  
19 Metro bus that we were going to subsidize somewhere  
20 along the way. So we took our Metro \$1.50 I believe it  
21 is or \$1.70, whatever our contract is with Metro, and  
22 used that over 100% of the ridership. This is a  
23 variable expense I need to point out. Not every rider  
24 on the vessel is going to take Metro, so that would be  
25 moneys that we would save. But we don't know those

00697

1 operational figures yet and don't have a way to  
2 estimate, so we need to use 100% of that variable cost.

3 Q. Okay.

4 A. In our projections.

5 Q. All right. And so if I'm understanding this  
6 information correctly, the addition of projected charter  
7 revenue and expected maximum Metro transit usage as an  
8 expense by riders changes the bottom line number for  
9 Dutchman Marine after 12 months from a positive net  
10 income of \$55,000 to a negative, well, a loss of  
11 \$11,000?

12 A. That's correct.

13 Q. Okay. And how does that bottom line, bottom  
14 bottom line number, change over the next three years  
15 thereafter?

16 A. As ridership increases, we will be bringing  
17 more revenue in, and the economies of scale come into  
18 play. So as indicated earlier, that every one tenth  
19 percent of ridership increase adds significantly to the  
20 bottom line after we reach the break even point, which  
21 is about 50%.

22 Q. Okay. And earlier Mr. Dolson was testifying  
23 about projected ridership over the next four phases.  
24 Are those ridership numbers that Mr. Dolson testified  
25 to, which is Exhibit 146 is it, I think it's 146, have

00698

1 those been incorporated into the revenue figures listed  
2 on Exhibit 147?

3 A. Yes.

4 MR. CRANE: Okay, I don't have any further  
5 questions at this time. Thank you.

6 JUDGE HENDRICKS: Mr. Kopta.

7 MR. KOPTA: Thank you, Your Honor.

8

9 C R O S S - E X A M I N A T I O N

10 BY MR. KOPTA:

11 Q. Good afternoon, Mr. Hibma. My name is Greg  
12 Kopta. I represent Seattle Harbor Tours.

13 A. Kopta?

14 Q. Kopta.

15 A. All right.

16 Q. Couple of questions about your background.

17 Am I correct that your background has primarily been in  
18 companies that handle manufacturing except for your  
19 initial work with Max Factor?

20 A. Yes, but within those companies, there are  
21 logistic issues that I have worked with and  
22 transportation issues.

23 Q. Do you have any experience with ferry  
24 operations?

25 A. No, I don't.

00699

1 Q. Okay. Not surprisingly, most of my questions  
2 are going to be directed toward Exhibit 119 and Exhibit  
3 147, so I see that you have those available. Is my  
4 understanding correct that with respect to the revenue  
5 figures that you relied on the ridership numbers that  
6 you were provided by the company?

7 A. That's correct.

8 Q. Okay.

9 A. Now if you would like me to interject, I  
10 challenged those numbers when I first looked at them,  
11 and I challenged them to the fact that I wanted to make  
12 absolutely sure that they were conservative in nature  
13 and not too optimistic.

14 Q. And you don't have personal knowledge about  
15 whether ridership in ferry operations is conservative or  
16 optimistic, do you?

17 A. Not necessarily, no, but I know they weren't  
18 reaching for the stars either with their projections.

19 Q. And what's the basis for that opinion?

20 A. Well, if you look at -- if you have the  
21 opportunity to see all the research data that's been  
22 accumulated based on the population of each area that  
23 they intend to serve and the amount of people that they  
24 are intending to attract into the -- into that service  
25 is a small percentage of the overall population of that

00700

1 area. And when I talk about a small percentage, I'm  
2 talking, you know, below a half a percent in a lot of  
3 areas.

4 Q. And so your opinion is based on materials  
5 that Dutchman Marine provided to you; is that correct?

6 A. That's correct.

7 Q. At this point, I think rather than trying to  
8 do this laboriously, let me ask if you have a document  
9 that includes the specific ridership numbers for each of  
10 the first 12 months of the year?

11 A. Do I have one produced as an exhibit?

12 Q. I don't know that you have one as an exhibit.  
13 I'm just asking if that information exists.

14 A. Yes, that information exists that supports  
15 the information in the financial statements.

16 MR. KOPTA: Your Honor, if I might, I would  
17 request as a record requisition a copy of any document  
18 that has just, and I don't necessarily want them to  
19 create it if it doesn't exist, but if that is the  
20 easiest way of producing information, then I would be  
21 agreeable to that, but rather than trying to ask  
22 Mr. Hibma to rely on his memory as to what the actual  
23 numbers are of the ridership under line H revenue  
24 category, I thought it would be easier to try and  
25 circumvent things a little with a request.

00701

1                   JUDGE MOSS: Let's see if there's not an even  
2 simpler way to do it, Mr. Kopta. The earlier testimony  
3 was that the first two months exhibited on page 1 of 4  
4 there are 12.5% of the base line number. Could we  
5 simply multiply 12.5% times the base line number and  
6 arrive at the ridership, or is it more complicated than  
7 that?

8                   THE WITNESS: It's not much more complicated  
9 than that. That's real close.

10                  JUDGE MOSS: How close?

11                  THE WITNESS: It basically just -- hit it  
12 pretty much right on.

13                  JUDGE MOSS: Will that satisfy your need then  
14 if it can be calculated that easily?

15                  THE WITNESS: Based on the days of operation,  
16 the 260 days a year operation.

17                  JUDGE MOSS: What I'm trying to do,  
18 Mr. Kopta, is avoid getting into further handling of  
19 confidential documents, because it was previously stated  
20 that the work papers would be regarded as confidential,  
21 and so I'm trying to avoid having to go there if we can  
22 avoid it without cutting you off. But if the witness  
23 has testified you can use those, and I'm sure you wrote  
24 them down as I did, 12.5, 25, 37.5, and so forth, times  
25 the base line numbers which are part of Exhibit 146,

00702

1 then perhaps you could get at it that way.

2 MR. KOPTA: Well, I could try that. It will  
3 just take a little bit longer, but -- since we didn't  
4 get all the percentages for each month.

5 BY MR. KOPTA:

6 Q. Am I assuming correctly that each of the  
7 figures for the 12 months that you list here on the  
8 total revenue line in Exhibit 119 on the first page is a  
9 product of the number of riders times a certain amount  
10 of revenue per trip?

11 A. That's correct.

12 Q. Okay. And the first two months were 12 1/2%  
13 of the base line?

14 A. That's correct.

15 Q. And March is what percentage?

16 A. The next two months, March and April, are  
17 25%. May is 50%.

18 JUDGE MOSS: Let me ask you, was it 37.5% for  
19 May and then 50% in June? That's what my notes reflect.

20 THE WITNESS: That's correct.

21 JUDGE MOSS: Okay.

22 MR. KOPTA: My notes as well.

23 BY MR. KOPTA:

24 Q. How about July?

25 A. July is 67 1/2% or 62 1/2%, and August and

00703

1 September are 75%, with October going into 100%.

2 Q. Okay. Now since there is a difference  
3 between the revenue line in October and in December, I  
4 assume that the multiplier, the dollar figure that you  
5 multiply your ridership by, doesn't remain constant all  
6 12 months; is that correct?

7 A. Say that again, please.

8 Q. Well, let me ask it more directly. There's  
9 an increase in revenue between October and December,  
10 correct?

11 A. That's correct.

12 Q. Does the ridership increase over those two  
13 months?

14 A. It increases over the change in the base line  
15 going into Phase II.

16 Q. So do you have a copy of Exhibit 146, which  
17 is the annual daily ridership averages?

18 A. Yes.

19 Q. Am I correct that the Phase I base line  
20 number is the addition of 1,209 and 202?

21 A. That's correct.

22 Q. So as of October, you are projecting  
23 ridership at that level?

24 A. That's right.

25 Q. So in November, you're taking the Phase II

00704

1 base line?

2 A. Well, that's when I said it starts to become  
3 complicated. We change seasons and -- and basically the  
4 way -- the way I -- we have it worked out is that we --  
5 we fall above capacity at the 70% level in the boat, so  
6 we round up to over 100% to get to that. So that's why  
7 I kind of said a while ago it's a little bit more  
8 complicated to get to all the numbers that are on the  
9 exhibit.

10 Q. So do you have a percentage for November and  
11 December, something like 107% or something like that?

12 A. Yeah, I do, it increases to 102% to 105%.

13 Q. Okay.

14 A. Also too at this time of the year, we're also  
15 looking at that more concessions are going to be sold  
16 such as hot coffee, hot cocoa in the concession stand,  
17 so that bell curve is also built in to the revenue line.

18 Q. Okay. And I guess that was my sort of  
19 ultimate question. You are --

20 A. Anticipating it.

21 Q. -- following right along, thank you very  
22 much.

23 In addition to a change in ridership on a  
24 month by month basis, is there a change in the revenue  
25 per passenger figure?

00705

1 A. No, that stays constant.

2 Q. So if I divide each of the numbers in the  
3 revenue column, recognizing a lawyer doing that is  
4 always a dangerous thing, then I should come up with the  
5 same number of revenue per trip?

6 A. (Nodding head.)

7 Q. And in my conversations with Mr. Dolson  
8 yesterday or the day before, I believe he said that that  
9 figure was around \$6.65, which is the \$5 fare plus the  
10 \$1.65 for concessions; is that correct?

11 A. That's correct.

12 Q. I'm also a little confused about some of your  
13 testimony with respect to revenues in response to some  
14 questions from Mr. Crane. Are you not booking any  
15 revenues for Metro separately, is that -- let me ask it  
16 a different way.

17 Is the Metro bus pass or transfer or whatever  
18 it is that you're giving the customer included in the \$5  
19 fare?

20 A. Yeah, the cost of the Metro pass is included  
21 in the \$5 fare, yes.

22 Q. So if a customer comes up, says, I want to  
23 take the ferry from Kirkland to Leschi, and I want to  
24 catch the 27 bus to downtown, it's \$5?

25 A. \$5.

00706

1 Q. And yet as I understand your explanation of  
2 Exhibit 147, you didn't include the costs for Metro in  
3 Exhibit 119; is that correct?

4 A. That's correct.

5 Q. Doesn't that have an effect of understating  
6 your costs for the first year of operation if you're  
7 including a Metro pass in the fare but not including the  
8 cost of the Metro pass?

9 A. No, it's not, because the fares have been set  
10 at \$5. If a person does not take the Metro when they  
11 land, they still pay \$5.

12 Q. But if they do take the Metro and you have to  
13 pay Metro the \$1 or \$1.50, that's a cost to the company,  
14 isn't it?

15 A. That's true, but our understanding of the  
16 WAC, what's that called?

17 Q. WUTC.

18 MR. CRANE: The Washington Administrative  
19 Code, is that what you're referring to?

20 THE WITNESS: Yeah.

21 BY MR. KOPTA:

22 Q. All right.

23 A. As explained to me by Mr. Dolson and the  
24 other parties in the management that the financial  
25 statements 119 as when we were preparing for this

00707

1 testimony was only to deal with the ferry services only  
2 and what we would be charging as a revenue for each  
3 passenger that went on -- that stepped onto our vessels.  
4 So we determined at that time that the Metro expenses  
5 and the charter revenue were not applicable to these  
6 proceedings.

7 Q. Well, I can understand excluding charter  
8 revenue and charter expenses together from Exhibit 119.  
9 The problem that I'm having is excluding the Metro costs  
10 from Exhibit 119 but essentially leaving in Metro  
11 revenues. If you're including Metro bus pass in the  
12 fare, isn't that exactly what you're doing?

13 A. Yes and no. As I stated before, the  
14 passenger is going to pay the same no matter what. They  
15 walk, if they don't take Metro or not, they're still  
16 going to pay the published fare for that route. So the  
17 revenue doesn't change, so we have to keep the revenue  
18 in there.

19 But our understanding of the code is that  
20 this was only for ferry service, the profitability and  
21 the financial stability of the ferry service itself. So  
22 we left -- we made a unanimous decision that the expense  
23 from the Metro was not part of this proceeding, and  
24 that's how I was instructed to make these financial  
25 statements forecasts, and that's exactly what I did.

00708

1 Q. Well, let's take it out of the realm of  
2 what's in the Washington Administrative Code for a  
3 moment and focus on this as just a business that  
4 provides ferry service that also includes a transfer to  
5 Metro, again excluding the charter business. Let's  
6 assume as a hypothetical that you have a company that's  
7 going to go into business offering passenger ferry  
8 service and will also provide to customers at the same  
9 rate a ride on a Metro bus from the ferry terminal  
10 through to another destination. Do you have my  
11 assumption in mind?

12 A. Okay.

13 Q. If you were going to put together a financial  
14 model of the reliability of that company, would you  
15 include in addition to what you have in Exhibit 119 the  
16 cost to provide the bus service?

17 A. At that point, I would.

18 Q. Also wanted to get a little bit more  
19 information on the numbers, the ridership numbers that  
20 underly the revenue amount. Now am I correct from your  
21 earlier testimony that this just assumes five days a  
22 week, not weekend trips?

23 A. That's correct.

24 Q. How many trips per day? And by trips, I mean  
25 how many, because we're confusing terms, trips obviously

00709

1 means individual passenger going one way. And by my  
2 second question trips, I meant how many times does the  
3 boat go back and forth?

4 A. That's something I really -- I don't know  
5 based on these models, because I don't know -- I'm doing  
6 it by individual passenger and not by how many times we  
7 fill a vessel. But if -- if I would just do it off the  
8 top of my head, I would imagine that we're making at  
9 least four to eight trips during the busy part of the  
10 day and limited trips in between. What I meant -- what  
11 I mean by that is in the morning hours, in the morning  
12 commute, that there would probably be three to four, and  
13 in the evening there would be three to four in the peak.  
14 And then in between, in between time, there would be a  
15 few, but how many I don't know, because I'm not that  
16 deeply into that part of the operation.

17 Now there are fuel consumption rates for that  
18 time of the day where we say the boat is operating for  
19 so many hours of the day at less peak, so those fuel  
20 consumption figures are part of our assumption here with  
21 the costs, but I don't know how that relates to trips.

22 Q. All right. And I guess my question was, I  
23 believe that you said one of your responsibilities was  
24 to make sure that everything was internally consistent,  
25 and I'm wondering did you -- how much of the information

00710

1 or were you able to determine whether there is a  
2 consistency between the number of, let's call them runs  
3 instead of trips just to avoid confusion, the number of  
4 runs that the boat has each day with things like fuel  
5 consumption?

6 A. We have a number of hours built into the  
7 underlying portions of the financials that say that so  
8 many hours are running at peak performance of the vessel  
9 and so many hours that are running at off peak  
10 performance, and those are weighed or averaged.

11 Q. And Dutchman Marine was the one that provided  
12 you with that data?

13 A. That's correct.

14 Q. There's another cost category that I'm  
15 wondering about. I believe you testified that the  
16 \$450,000 in cash would result from loans; is that  
17 correct?

18 A. Correct.

19 Q. And yet I don't see any loan payments in the  
20 first 18 months. Could you point to me where in Exhibit  
21 119 there is loan payments?

22 A. At the time of preparing these financial  
23 statements, we didn't know in what form the cash would  
24 be injected into the company, whether it would be loans  
25 or equity or whatever.

00711

1 JUDGE MOSS: Mr. Hibma, can you raise your  
2 voice a little bit, the air conditioning has come on.

3 THE WITNESS: Oh, I apologize, do you want me  
4 to repeat what I just said?

5 A. But as I said, we didn't know at the time of  
6 preparing this exhibit how the money would be injected  
7 into the company, would it be loans or equity. So I  
8 chose at that point that I was assuming that this was  
9 going to be an equity infusion, and I did not calculate  
10 interest on this, so there's no loan payment on that.

11 Q. So it's not included?

12 A. It's not included.

13 Q. Do you know how much an annual loan payment  
14 would be based on a principal of \$450,000 at an interest  
15 rate of 15% and a seven year pay back period?

16 A. Not off the top of my head. But into 2002  
17 figures on Exhibit 147, I have interest expense, I'm  
18 sorry. Starting in 2003 an interest expense of \$137,000  
19 for the year for the repayment of those loans, and the  
20 monthly payments on that at \$24,000 approximately at 15%  
21 and including principal and interest at \$900,000 in  
22 loans.

23 Q. Okay. Let me make sure I understand where  
24 you're looking at. On Exhibit 147 in the total 2003  
25 category, following net interest expense over there and

00712

1 dollar figures of \$131,845?

2 A. That's net interest expense. I'm assuming  
3 that we have some money in the bank that we will be  
4 earning some interest on that we will offset the  
5 interest expense with.

6 Q. So the loan payment would be a little bit  
7 higher than that figure?

8 A. Yes.

9 Q. If you would turn to page three of Exhibit  
10 119, also curious, and again looking at the revenue,  
11 total revenue line, it is flat through May and then  
12 takes a jump in June. You didn't discuss that with  
13 Mr. Crane, so I wanted to ask you about what accounts  
14 for the difference between May of the second year and  
15 June of the second year?

16 A. That jump occurs based on the fact that we  
17 anticipate putting the vessels in the water for our  
18 second route and possibly, yeah, just putting two extra  
19 vessels on the water for a second route.

20 Q. Okay.

21 A. And also too at this time we turn into  
22 another summer time where we expect ridership to  
23 increase.

24 Q. But I still only see in the operating  
25 expenses a single vessel, so you haven't correspondingly

00713

1 increased the costs to go along with the increased  
2 revenues?

3 A. I'm afraid you're right. Thanks for catching  
4 that.

5 Q. My pleasure. That's the closest I get to a  
6 Perry Mason moment.

7 A. I apologize, I have to admit sometimes I work  
8 late at night on these things.

9 Q. I can commiserate with you.

10 One additional point, if you look at the  
11 first page of Exhibit 119, a total 12 months revenue of  
12 approximately \$1.8 Million, and compare it to Exhibit  
13 147, the total 2002 total revenues of approximately \$2.2  
14 Million, is the difference between those two figures the  
15 additional revenue that you have included in Exhibit 147  
16 to account for charter revenues?

17 A. Yes, sir.

18 MR. KOPTA: Thank you, Mr. Hibma, those are  
19 all my questions for now.

20 JUDGE HENDRICKS: We can take a ten minute  
21 break now.

22 (Brief recess.)

23 JUDGE MOSS: It strikes me as we have gone  
24 through our testimony over the course of several days  
25 that there are a number of exhibits that appear to

00714

1 require some updating and revision in light of the  
2 evolving plans since the time of the application. For  
3 example, we have the initial financial data that was  
4 presented with the application, which now indeed has  
5 been subsequently supplemented by additional information  
6 provided to the Commission at the Commission's request.  
7 All of that information has been updated, and we have  
8 the updates with respect to a certain period of the  
9 operation through Exhibit 119. The proposed routes have  
10 changed. We need an updated map on that. We have  
11 identified at least one I would call it significant  
12 problem with Exhibit 119 in terms of the expense line,  
13 and I am going to raise momentarily with the witness a  
14 question that I think is going to indicate there might  
15 be another problem in that regard.

16           We have had some witness scheduling problems  
17 which has caused witnesses to be taken out of order, and  
18 Mr. Kopta during the break has raised to me the question  
19 of conflicts of time for his witness since things have  
20 continued to be pushed back beyond my anticipation  
21 certainly and I think maybe the parties' as well.

22           So I'm wondering whether the most efficient  
23 way to proceed in terms of getting the full, complete,  
24 and accurate record that the Commission requires in  
25 order to make a decision in the case, whether we need to

00715

1 think about continuing over into next week, perhaps take  
2 tomorrow off and wrap this thing up early next week.

3           Now in connection with that, I can see a  
4 couple of problems even as I speak, because my  
5 suggestion would be that we would continue in Olympia  
6 rather than here since that is logistically much easier  
7 for us to do on short notice. That raises implications  
8 for the Bellevue witnesses who are scheduled to appear  
9 tomorrow morning to the extent they would be required to  
10 travel to Olympia, although, Ms. Riordan, would that be  
11 an insurmountable problem?

12           MS. RIORDAN: It will depend on the day, I  
13 think, Your Honor.

14           JUDGE MOSS: It's doable though, that's not a  
15 terrible reverse commute?

16           MS. RIORDAN: I don't think it's that awful;  
17 I have done it.

18           JUDGE MOSS: And Olympia is a charming place.  
19 So let's be thinking about that over the next few  
20 minutes. I don't want to resolve it right now. I would  
21 like to finish this witness first.

22           MS. RIORDAN: Your Honor, I'm sorry, but if I  
23 have to tell my witnesses that they're not coming  
24 tomorrow, I've got to do it now, because I won't be able  
25 to reach them to call them off otherwise.

00716

1                   JUDGE MOSS: All right, give me five minutes  
2 with the witness, and then we will get back and resolve  
3 this issue.

4

5                   E X A M I N A T I O N

6 BY JUDGE MOSS:

7           Q.     Mr. Hibma, I would like to focus your  
8 attention on Exhibit 119, page three of four. I noticed  
9 in reviewing this exhibit during our brief recess that  
10 the operating expenses lines, and there are basically  
11 three detailed lines and then a total operating expenses  
12 line there of \$72,299 for each of the months January 03  
13 through June 03. During Mr. Kopta's cross-examination,  
14 you acknowledged that the June 03 column is inaccurate  
15 to the extent that it does not reflect the addition of  
16 the second route of the vessel that would be necessary  
17 for that even though the revenue line does reflect the  
18 increased revenues associated with that phase of the  
19 operation. And I believe you acknowledged that.

20          A.     Yes, I did, Your Honor, and I would like to  
21 retract what I said earlier. What I should have done is  
22 taken that revenue out based on the second route  
23 anticipation, but just the single vessel route.

24          Q.     Okay. So it would be the revenue line that  
25 would be adjusted there?

00717

1           A.     That's correct.

2           Q.     But continuing to focus your attention on the  
3 operating expense line, I notice in comparing that line  
4 to the preceding months, that is to say January 02  
5 through December 02, the detailed line items of expense  
6 appear to be constant throughout the January 02 through  
7 June 03 period, yet the total operating expenses  
8 reflected for the January 02 through December 02 period  
9 appears to be properly summed to the amount of \$122,334  
10 whereas the corresponding amount for the January 03  
11 through June 03 period appears to be improperly summed  
12 to \$73,299. I'm not an accountant, but that's how it  
13 appears to me.

14          A.     You're correct.

15          Q.     So again, and I am not an accountant, I  
16 haven't had an opportunity frankly to review this  
17 exhibit in excruciating detail, but it does strike me  
18 with these couple of errors we have identified, and I  
19 understand that sometimes these things happen, this  
20 strikes me as a rather critical exhibit in the case,  
21 rather critical analysis to our record.

22                 JUDGE MOSS: And so again, I think this might  
23 be a reason to think about slipping over into next week  
24 rather than continuing tomorrow to give us all an  
25 opportunity to take a deep breath and perhaps run some

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1 new numbers, get accurate exhibits, and that sort of  
2 thing. So I will ask counsel at this juncture whether  
3 they think that is a good idea or whether counsel would  
4 prefer to press ahead with the possibility that we might  
5 have to resume at a later date anyway.

6 Mr. Crane, I'm turning to you on this.

7 MR. CRANE: I don't mind rescheduling  
8 particularly. I mean the errors in the exhibit are --  
9 can be corrected fairly readily. I don't anticipate a  
10 lot of time necessary for that. My preference would be  
11 to continue on with the hearing tomorrow. I don't  
12 believe that we will have any trouble finishing by  
13 tomorrow. On the other hand, I'm available Monday, and  
14 I believe my client is too if that's the decision. If I  
15 had my preference, I would --

16 MR. DAN DOLSON: I'm not here Monday.

17 MR. CRANE: He's not here Monday. It would  
18 be my preference to continue on. We're prepared to go  
19 ahead, and we would like to finish. We can make the  
20 corrections to the exhibit tonight, Your Honor, and I  
21 will double check all numbers again and make the  
22 corrections necessary. I guess if I had a choice, I  
23 would like to go tomorrow.

24 JUDGE MOSS: All right.

25 Mr. Kopta, let me turn to you on this.

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1                   MR. KOPTA: Well, the concern that we have  
2 obviously is that Mr. Blackman is running up against  
3 some problems in terms of being able to be here. I  
4 don't know how long Mr. Crane anticipates his  
5 examination to take, and I'm sure it depends on how long  
6 mine takes. That's kind of the nature of how the  
7 hearing has gone so far.

8                   Maybe the worst possible or the worst of both  
9 worlds is what I would suggest, which is if we could  
10 finish everyone but Mr. Blackman through tomorrow  
11 morning and then have Monday set aside for having his  
12 examination, both direct and cross, and finish it up and  
13 other loose ends that may still be existing after the  
14 day on Friday so that we can make sure that Monday will  
15 be the last day that we have the hearings. That would  
16 be what I would propose as a way of trying to get as  
17 much done while we're all here, and it would also  
18 accommodate the Bellevue witnesses so that they could be  
19 here tomorrow morning instead of traveling to Olympia.

20                   JUDGE MOSS: As they had previously arranged,  
21 that would be the most convenient for them.

22                   Ms. Riordan.

23                   MS. RIORDAN: It certainly would, although I  
24 have to say I am not available on either Monday or  
25 Wednesday next week. Tuesday, Thursday, or Friday are

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1 days which I could rearrange my schedule to be  
2 available.

3 JUDGE MOSS: Okay. All right, well, what  
4 about Tuesday, how are people's schedules on Tuesday?  
5 Mr. Dolson indicates by a thumb up that he is available  
6 on Tuesday, whereas he had previously indicated he was  
7 not available on Monday either.

8 MR. DAVIDSON: I would need to check my  
9 calendar if I could call my office.

10 JUDGE MOSS: All right, we will go off the  
11 record in a minute and let you do that.

12 How about Staff?

13 MR. THOMPSON: I think we would be available  
14 Tuesday. The only conflict we have is the same one you  
15 have with the Bench Bar conference or whatever it is.

16 JUDGE MOSS: I think that's actually -- well,  
17 let's go off the record at this point.

18 (Discussion off the record.)

19 JUDGE MOSS: We have had some discussion  
20 about scheduling off the record, and we have decided  
21 we're going to press ahead this afternoon, and we may  
22 perhaps end the day a little early, and then we will  
23 continue again in the morning, and we will take  
24 Bellevue's witnesses as previously arranged.  
25 Mr. Blackman will make himself available at 2:00; is

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1 that correct?

2 MR. BLACKMAN: Possibly 1:30, Your Honor.

3 JUDGE MOSS: All right, perhaps as early as  
4 1:30, and then we will hopefully be able to finish up  
5 then.

6 And, Mr. Crane, I understand you're going to  
7 work overnight to correct the couple of errors that we  
8 have identified in Exhibit 119, and the others we  
9 mentioned can come in later, because I think they aren't  
10 as essential, the map and so forth.

11 All right, anything else that I failed to  
12 capture just now in summarizing our off the record  
13 discussion?

14 All right, then let's proceed with the  
15 examination, and I completed my clarifying questions, so  
16 I believe we're to you, Mr. Davidson.

17 MR. DAVIDSON: Thank you, Your Honor.

18

19 C R O S S - E X A M I N A T I O N

20 BY MR. DAVIDSON:

21 Q. Mr. Hibma, my name is Gordon Davidson, I'm  
22 the Assistant City Attorney for the City of Seattle.  
23 I've got a couple of questions about Exhibit 119. Can  
24 you please look at the revenue line on page 1. From my  
25 examination of this, it looks like the revenue for

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1 January or February or perhaps conversely the first  
2 month and the second month of operation remain estimated  
3 the same amount, and then there is a small increase for  
4 months three and four.

5 A. That's right.

6 Q. My calculation shows that to be a 20%  
7 increase in revenue. Will you make a reasoned guess  
8 that the change from 32,000 to 38,000 is about a 20%  
9 increase?

10 A. That's correct.

11 Q. But then we come to the fifth month when the  
12 revenue changes from 38,000 to 97,000. My calculation  
13 shows that to be a 150% increase in revenue. Is that a  
14 reasonable amount of increase to project for the fifth  
15 month of operations, do you think?

16 A. Yes, it is, because we have the combination  
17 of concessions and then the word of mouth, and hopefully  
18 we hit over the hump of the weather that more riders  
19 will be taking the shuttle service at that time. So we  
20 make a tremendous jump in one of those months in the  
21 springtime and then level out.

22 Q. And it looks like there's an increase, but  
23 it's a lowering amount of increase through the remainder  
24 of that or up, yeah, a varying amount of increase  
25 through the remainder of the months. If you're doing

00723

1 the calculations tonight, it might be helpful to put in  
2 the percentage of increase as well.

3 A. Oh, you mean the percentage of increase per  
4 month on the line?

5 Q. Yeah. I've got it calculated out, but it  
6 might be interesting.

7 Another thing that you might offer an  
8 explanation for, if you could, the line that's labeled  
9 concessions expenses remains constant throughout the  
10 entire year, yet if there is a 12.5% estimate of base  
11 line ridership in the first month and a 91 or a 150%  
12 increase in revenues in month five, I'm really puzzled  
13 why concession expenses would remain constant throughout  
14 the year.

15 A. The reason that I left the concession line  
16 costs the same is even though revenues are going to go  
17 up like this, my basic understanding of how the  
18 concession stand is going to work is we're going to have  
19 it pretty well stocked all the time, and there's going  
20 to be coffee made and doughnuts and muffins and so on  
21 and so forth that are going to go stale that we're going  
22 to have to pay for.

23 So what I did is I went to the end of the  
24 year and took the maximum amount of the concession sales  
25 and then took that cost, that highest variable cost,

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1 used that straight line all the way through to give us a  
2 very conservative line of how much concessions are going  
3 to cost us on a gross basis.

4 Q. So, in fact, that's very likely an  
5 overstatement of expense and conversely an underestimate  
6 of revenue?

7 A. Yes, it's so that we can use the economy of  
8 scale to make sure that we're covering all of our bases.

9 Q. Okay. In an earlier projection, and this  
10 shows up in Exhibit 101, this was the projected income  
11 and expense statement that was submitted with the  
12 original application, and I don't know whether you had  
13 involvement in preparing that.

14 A. Yeah, I have no knowledge of that.

15 MR. DAVIDSON: All right, I think that's all  
16 of the questioning I would do at this point, thank you.

17 MS. RIORDAN: I have a couple.

18

19 C R O S S - E X A M I N A T I O N

20 BY MS. RIORDAN:

21 Q. I'm Lori Riordan, and I represent the City of  
22 Bellevue. The first question I have is on page one of  
23 Exhibit 119, and it is about capitalized start-up costs.  
24 I would just like to know whether or not those  
25 capitalized start-up costs include the costs of

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1 permitting and construction at all?

2 A. There's some permitting costs in there.

3 There's some costs from, you know, circumstances that --  
4 but nothing to do with construction costs that we might  
5 incur. That's something we really don't know yet, so  
6 I'm not able to project forward properly.

7 Q. Okay. The other questions I have are related  
8 to the fares. As I understood your testimony earlier,  
9 you said you were basing all of this on a \$5 fare; is  
10 that correct? In the revenue.

11 A. Yes, on a straight \$5 fare.

12 Q. Although some of the fares are going to be  
13 higher than five, you chose the lower fare?

14 A. Yes.

15 Q. Okay.

16 A. And that's just to make sure that we don't  
17 try to overestimate revenue.

18 Q. Okay. And one of the \$5 fares was a, and  
19 listed in the materials as \$5, was a Bellevue to Leschi  
20 Park run. It was listed as having a \$5 fare. Now I  
21 don't know how much of the testimony you have been here  
22 for, so I don't know if you have been in on any  
23 discussion about the possibility or the likelihood at  
24 this point that the Bellevue run will not go to Leschi,  
25 it will go to the University of Washington, which is

00726

1 some distance farther from Bellevue than Leschi Park.  
2 And it's also possible that the run will go an even  
3 greater distance from Newport Shores to the University  
4 of Washington. Would you expect that the fare would  
5 increase at that point because of additional operating  
6 cost, for example, additional fuel cost to travel that  
7 greater distance?

8 A. I'm not able to answer that. I'm going to  
9 have to refer you back to Mr. Dolson on that.

10 Q. Okay.

11 A. We haven't really talked about that  
12 possibility as of yet, so I'm not qualified to answer at  
13 this time.

14 MS. RIORDAN: All right, well, those are all  
15 the questions I have then, thank you.

16 MR. THOMPSON: I have a couple of questions.

17

18 C R O S S - E X A M I N A T I O N

19 BY MR. THOMPSON:

20 Q. Where are, I'm looking, of course, at Exhibit  
21 119, can you direct me to the line where the salaries  
22 for Dutchman Marine's administrators are contained?

23 A. That's in the selling, general, and  
24 administrative expense line right underneath gross  
25 profit.

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1 Q. And it's the \$18,296 figure?

2 A. Yes, that's correct.

3 Q. That seems kind of low; how many people does  
4 that represent?

5 A. That represents only one full time salary for  
6 on shore crew at the time plus professional fees such as  
7 myself and a few others, but -- and remember that's  
8 broke down by month.

9 Q. Okay.

10 A. And I'm not sure if anybody in our  
11 organization is going to make \$18,000 a month.

12 Q. Right.

13 A. But that pays for all the administration. We  
14 only expect to have one and a half people in the office,  
15 and they're clerical type folks or type of employees.

16 Q. Okay.

17 A. And their salaries aren't all that expensive.  
18 The rent is not all that expensive. We're going to be  
19 using Mr. Dolson's basement of his house for a while to  
20 save on some operating costs, and we're anticipating a  
21 very skeleton administration staff and crew to start out  
22 the operations with to help keep costs contained and so  
23 we don't have to look forward to going to another  
24 hearing to increase fares.

25 Q. Okay. How much, through this 18 month period

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1 that's represented here, how much of those loan  
2 commitments is Dutchman going to have to draw on?

3 A. I'm anticipating just for operating expenses  
4 that we're not going to have to draw on more than  
5 \$550,000.

6 Q. Okay. So at the point at which the company  
7 would be looking to purchase these three additional, is  
8 it three additional boats in the second phase?

9 A. In the second phase it will be two vessels.

10 Q. Okay, two. Is the idea now that the second  
11 boat on the first run would be also chartered like the  
12 Saint Nicholas?

13 A. That's the anticipation, yeah.

14 Q. Okay. So I guess there would be a cash  
15 balance at the end of Phase I, judging from Exhibit 147,  
16 \$20,000, plus the ability to draw on loans of around,  
17 let's see, \$700,000; is that right?

18 A. 650.

19 MR. THOMPSON: Okay. All right, that's all  
20 the questions I have.

21

22 E X A M I N A T I O N

23 BY JUDGE MOSS:

24 Q. I have just I think one more area that I  
25 wanted to explore with you just briefly, Mr. Hibma,

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1 before we turn to the redirect. Getting back to  
2 Mr. Davidson's question about the early months when we  
3 go from January 02 and February 02, the revenue is  
4 calculated on the basis of ridership at 12 1/2% of the  
5 year one base line; is that right?

6 A. That's correct.

7 Q. And then in March and April of 02, we double  
8 the ridership?

9 A. That's correct.

10 Q. And the revenue goes up by 20%?

11 A. That's correct.

12 Q. Yet we go up in terms of ridership in May of  
13 02 only by a 50% increase, and the revenue goes up  
14 rather dramatically, I think Mr. Davidson suggested  
15 around 150%. Does that seem accurate to you sitting  
16 here today?

17 A. Yes, it did. And when I produced this, I  
18 went back and looked and looked at our assumptions, and  
19 at that time, we're expecting a very large increase in  
20 concession revenues at that time.

21 JUDGE MOSS: Oh, okay. That's all I had.

22 Mr. Crane, do you have some redirect?

23 MR. CRANE: I do not, thank you, Your Honor.

24 JUDGE MOSS: Okay, I think we perhaps better  
25 release Mr. Hibma subject to recall in case we have some

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1 follow-up questions when we have the new exhibit  
2 produced. I can't assure that it will be necessary to  
3 have you back, but on the other hand I want to maintain  
4 the possibility. So with that, Mr. Hibma, for today at  
5 least we thank you, and you're released from the stand.

6 THE WITNESS: Thank you.

7 JUDGE HENDRICKS: Mr. Crane, do you have  
8 another witness to call at this time?

9 MR. CRANE: Well, we're going to call David  
10 Dolson tomorrow.

11 JUDGE MOSS: You want to do that tomorrow.

12 MR. CRANE: Yeah, that way we'll fill in  
13 time.

14 JUDGE MOSS: Okay.

15 MR. CRANE: I can call him now, but I think  
16 we'll have quite a bit of down time tomorrow.

17 JUDGE MOSS: Okay, well, let's try to avoid  
18 down time if we possibly can.

19 MR. CRANE: Can we go off the record for just  
20 a moment, Your Honor? I just want to make sure that  
21 we've got the scheduling clear in our minds.

22 JUDGE MOSS: Sure, let's be off the record.

23 (Discussion off the record.)

24 JUDGE MOSS: We briefly discussed our  
25 scheduling of witnesses off the record, and we have

00731

1 agreed that we will start again at 9:30 tomorrow morning  
2 with Mr. David Dolson. We will continue after that with  
3 the two witnesses for the City of Bellevue, and then  
4 Mr. Blackman has agreed that he can be here by 1:30, and  
5 so we will take up his examination at that time. It  
6 appears that we will be able to finish tomorrow.

7           Let me while we've still got a few minutes  
8 before 4:00 and we can recess early today, previously I  
9 had raised the question of briefs, and Mr. Kopta had  
10 indicated at that time that he would prefer to have one,  
11 and I was leaving the subject open for discussion. I  
12 will say at this juncture that I'm beginning to feel  
13 that there is a necessity for briefs in this case, and I  
14 see some acknowledgement from nodding heads by some  
15 counsel at least, and so --

16           MR. CRANE: I will raise my hand.

17           JUDGE MOSS: So I think we can plan on that,  
18 so be thinking about schedules on briefs. It usually  
19 takes two weeks to get the transcript, so you will  
20 probably want to have that available to you, and look at  
21 your calendars, consider what other matters are  
22 conflicting for you, and let's be prepared to give a  
23 schedule for that tomorrow afternoon.

24           Okay, anything else, any other business we  
25 need to conclude before we go off the record?

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1 All right, we will be in recess until  
2 tomorrow morning at 9:30.  
3 (Hearing adjourned at 4:00 p.m.)  
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