

Joe Wyman
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HORNBLOWER™

CRUISES & EVENTS

October 25, 2007

Mary D. Nichols, Chairperson
California Air Resources Board
State of California
1001 I Street
Sacramento, CA 95812

**Subject: Comments on Proposed Commercial Harbor Craft Regulations
Board Meeting Comment Log (chc07)**

Honorable Chairperson Nichols:

All vessel operators should care about air quality and good stewardship of the environment. We applaud the efforts of the California Air Resources Board and your Staff for the effort that has gone into the proposed regulation.

Hornblower is 27 years old and provides over 800 jobs in six California coastal cities. We are not subsidized in any way, and have not been able to afford to make use of Moyer funds. While we support many environmental initiatives, our company cannot survive the proposed Commercial Harbor Craft Regulation as drafted. We operate over 35 vessels, many which are over 40 years old. We regularly rebuild and replace engines. There is a substantial cost beyond the engines themselves to a re-power, sometimes an additional 200%, or worse.

We also operate some vessels with the newest and best available technology, including contracting for a super clean Hybrid Solar, Wind, Electric and Diesel powered vessel for our Alcatraz service. Putting our elegant, slow, classic yachts in the same regulatory bucket with Tugs, High Speed Ferries, and other similar vessels is bad public policy. We believe that any policy that puts all vessels in the same class, ends up penalizing numerous vessels that have substantially different duty cycles and operational characteristics.

Policy unfairly treats all vessels the same.

The philosophy behind the timetable of phase-out dates for existing pre-Tier 1 and Tier 1 engines is to give owners a certain amount of time/operation to take advantage of at least

a portion of the engine's useful life. However, using the year as the measure works better for a vessel/engine in service many hours of the day. This results in a large number of actual operational hours and corresponding emissions. In contrast, the vessel/engine that operates less frequently or only a short time per day gets considerably fewer actual hours of operation over the remaining regulatory life granted to the engine. Thus, with a ferry and a dinner boat both having the same phase-out date, the dinner boat gets far fewer hours of actual operation before the required engine replacement than does the ferry, incurring a substantial economic penalty while operating without subsidy.

A year in the life of a dinner excursion vessel is not the same as a year in the life of a ferry vessel. Hornblower charter and dining cruise vessels rarely travel above 6 knots and burn very little fuel. A vessel that makes 200 trips a year at this speed will burn substantially less fuel than a ferry vessel making 300 trips at 20 knots.

For example, comparing two classes that have been lumped together in the Regulation:

Characteristic	Typical New Ferry Vessel	Classic Charter Vessel
Age	1-20 Years	40-90 Years
Appearance	Contemporary	Classic
Construction	Aluminum	Wood
Drive Engine BHP	4,000 to 20,000	200-600
Annual Days of Use	250-300	100-150
Annual Hours of Use	2,000 to 4,000	500-1,200
Annual Fuel Use-Gallons	200,000 to 1,000,000	5,000 to 10,000
Relative Emission Factor	1,000	1
Repower \$-% of Vessel \$	20%-40%	50% to 150%

For Hornblower, the impact of the legislation will bankrupt our company:

- 14 of 35 Vessels would require re-power in first two years (2010 –11). Regulation does not recognize the impact it will create on a large fleet of vessels.
- All of these vessels combined have fewer emissions than the average commuter ferry due to hours of operation and fuel consumption rate.
- Recent rebuild and re-power write-offs would exceed \$500,000
- Historic Register(s) registration concept as drafted is not compatible with USCG Inspected Vessels. Many vessels were built around the engines and will require substantial demolition to replace. Our fleet has at least 5 such vessels that would be permanently removed from service as a result.
- Collateral damage in re-power situations is substantial, including reduction in capacity, additional capital expenditures, and route/service reductions.
- Private Lender support will dry up with regulations that increase ownership cost

Example of proposed policy impact on one "classic vessel" in the fleet --

M/V Wild Goose



Built in 1942 and owned by John Wayne, she currently carries 150 Passengers maximum, 80 average, 100 days per year. We have spent \$200,000 over the last 2 years to maintain her classic condition. The vessel has large slow speed EMD engines with average operation of 800 hours annually.

Under the present proposal, Hornblower will need to re-power by 2010. We do not think that a re-power is possible and the vessel will be rendered unusable at a great loss to the public, who enjoy the vessel and her history.

1. Large heavy engines are part of the vessel ballast system (USCG Issue)
2. Vessel would require partial destruction to remove engines (USCG Issue)
3. Estimated cost of new engines & generators \$200,000. Estimated additional cost of re-power (if even possible) \$500,000. Estimated fair value of vessel \$2,000,000.
4. Vessel contributes over 40% of our gross revenue in Newport Beach, and employees over 50 local residents.

We respectfully ask the Board to delay the adoption of the proposed policy and consider the following modifications --


Delay enacting one size fits all policy. Regulations should be based on duty cycle or fuel consumption rather than age of engines. As written, the legislation unfairly penalizes low use vessels.

Exclude either "Classic Vessel" engines or any engines operating less than 1,000 hours per year or burning less than 8000 gallons per year (similar to antique/classic motor vehicle policy of the DMV) from the proposed replacement schedule.

Modify the definitions of vessels covered by policy. Change the definition of a "historic vessel" from a vessel listed on the National Register of Historic Places, to a vessel "older than 40 years with significant historic or cultural features".

Policy Implementation. Write into the regulations or give the Executive Director and staff more discretion to allow appropriate time to companies that can demonstrate undue economic burden in any given year of the program. For example, staff should be allowed to extend implementation dates if a company has more than two vessels to be re-powered in any given year (estimated implementation cost of over \$250,000).

Sincerely,



Terry A. MacRae
President/ CEO

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Alcatraz Cruises
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