

**Summary of the Direct Testimony of Scott T. Gardner
On Behalf of the Village of Bald Head Island**

In my direct testimony, I identified various concerns about the proposed transfer of the common carrier certificate from Bald Head Island Transportation, Inc. (“BHIT”) to SharpVue Capital, LLC and its affiliates (“SharpVue”).¹

I appreciate that Limited wishes to disentangle itself from the Island, but any “crisis” (for which no evidence has been presented) is of Limited’s own creation: the only reason that the transaction has not already occurred is that Limited has been unable to justify its transaction price—which greatly exceeds the tax valuation of the assets. Concerns over the original transaction price were raised by multiple members of the Local Government Commission in reviewing the financing application submitted by the Bald Head Island Transportation Authority, and Limited was unable, or unwilling, to provide sufficient justification to the agency.

In addition, the Village has concerns about SharpVue’s ability to operate the transportation system, and SharpVue has not made any effort to work with the Village to address these concerns. My primary concern is the abysmal on-time performance of the ferry service, particularly during periods of highest demand, such as weekends in the summer months. When the ferries run late, the baggage system gets backed up on both the Island and the mainland side. This in turn throws off the tram service. These delays and luggage problems wreak havoc on users of the ferry—for visitors trying to start their vacation on the Island; for workers trying to get to their Island jobs on time or to return

¹ My direct testimony was filed before the Commission issued its decision in Docket No. A-41, Sub 21. I filed supplemental testimony after the Commission issued its decision. I will not address in this summary portions of my testimony that were addressed by the Commission’s order.

home; and for those who are on a schedule—for example, they are trying to get off-Island to catch a plane or make a doctor’s appointment.

As evidenced by BHIT’s November 2022 Quarterly Report, a portion of which was copied in my direct testimony, the on-time percentage *on average* was less than 60% for June through September. In July, the on-time percentage was less than 50%, meaning the ferry was *more often late than on time*. Given that there is typically less ridership during the week, these average monthly data illustrate what Islanders have observed: weekends during peak summer months were a complete nightmare. This issue has worsened in recent years. As a user of the system, I have personally observed these issues, but in my role as member of the Village Council, I regularly hear from Islanders about their concerns with the ferry and transportation system. For example, several members of the public expressed similar concerns at the Commission’s public hearing on November 1, 2022.

My concern is that SharpVue has not articulated any appreciation of the gravity of this situation nor any plan for addressing the service deficiencies. To the contrary, SharpVue characterizes BHIT as “extremely well-run,” and states that it intends to “continue the track record of success.” In its discovery responses, SharpVue refused to commit to making improvements to ticketing and baggage handling—stating only that it “intends to continue the ferry and tram operations without significant or immediate change” and that it intended to evaluate operational changes post-acquisition “in due course.”

Further, the Village has concerns about the acquisition of the transportation system by a private equity firm. First, Bald Head Island Transportation, LLC, a newly created entity, has no track record or experience running any business, much less a ferry. Second,

as a private equity firm, SharpVue's obligations are to its investors, not ratepayers. Third, SharpVue has no experience running utility systems. And fourth, although SharpVue has secured "commitments" for funding, it is unclear whether it will have the resources to make the additional investments necessary to operate the system, such as necessary capital improvements.

Members of the public share these concerns. For example, these concerns were voiced at the November 1, 2022 public hearing in this proceeding, as well as in response to a survey conducted by the Bald Head Association.

I believe the Commission could take several steps in this proceeding to advance the public interest, including (1) requiring SharpVue to detail and commit to a plan for improving the ferry system, including departure times, the physical condition of the ferries, and the terminal facilities; (2) conditioning any transfer of the ferry assets on SharpVue demonstrating how it will finance the capital expenditures needed to make such improvements; and (3) ensuring that appropriate ratepayer and user protections are in place to ensure continued access, into the future, to the consolidated transportation system on reasonable terms and conditions.

Finally, I would like to emphasize that the Village's interest in this proceeding is in protecting the Island into the future. That's it. There is no ulterior motive, and certainly, as a governmental entity, the Village is not chasing profits. We seek a safe, reliable, reasonably priced transportation system that is appropriate to serve the needs of the Island and its various stakeholders, not just today, but over time.

This concludes the summary of my Direct Testimony.