Casco Bay Lines
Freight Rate Proposal

Casco Bay Island Transit District

Finance Committee · September 16, 2026

WHERE WE ARE

Freight Costs Far More Than It Earns

2025 actuals, excluding passenger and vehicle revenue

38%

of freight cost recovered by freight revenue

2009

the last year freight rates changed

$1.76M

annual freight operating deficit

Over seventeen years of flat rates. Costs of fuel, crew, insurance, and vessel maintenance continue to rise. Freight rates have not. Every year of delay widens the gap.

The draft proposal that follows raises freight revenue to 75% of the cost of providing the service by Year 3, through one increase or phased over 24 months.

How We Estimated Freight Costs

A four-step method for splitting $11.3M of district operating expenses (FY26 Budget) across service types

1

Start with total expenses

$11.3M in total FY2026 operating expenses (vessels, crews, fuel, terminal, admin, everything).

2

Allocate to each vessel by hours

Each vessel gets a share based on its operating hours. Total fleet: 19,841 hours across five vessels.

3

Split each vessel by category

Within each vessel, divide costs across passenger, vehicle, and freight using staff judgment about how the vessel is used.

4

Sum across vessels

Add up the system-wide cost for each category, then compare to revenue to see what each service contributes.

WHAT GOES INTO THE CATEGORY SPLITS

Terminal & Vessel deck space

How much of the terminal and each vessel is dedicated to passengers, vehicles, and freight. The Machigonne carries cars; the Maquoit has a working freight deck; the Wabanaki and Aucocisco are primarily passenger vessels with smaller freight areas. The terminal has a dedicated freight storage area and passenger waiting area.

Crew labor

Crews report to the Maquoit ~90 minutes before departure just to load freight. On the Wabanaki it's ~45 minutes. The Aucocisco runs don't require crew to come in early for freight. That early time is freight-attributable labor. Shoreside staff allocated between freight, vehicle, and passenger service. Machigonne (and soon the Battery Steele) allows for more efficient handling with forklifts.

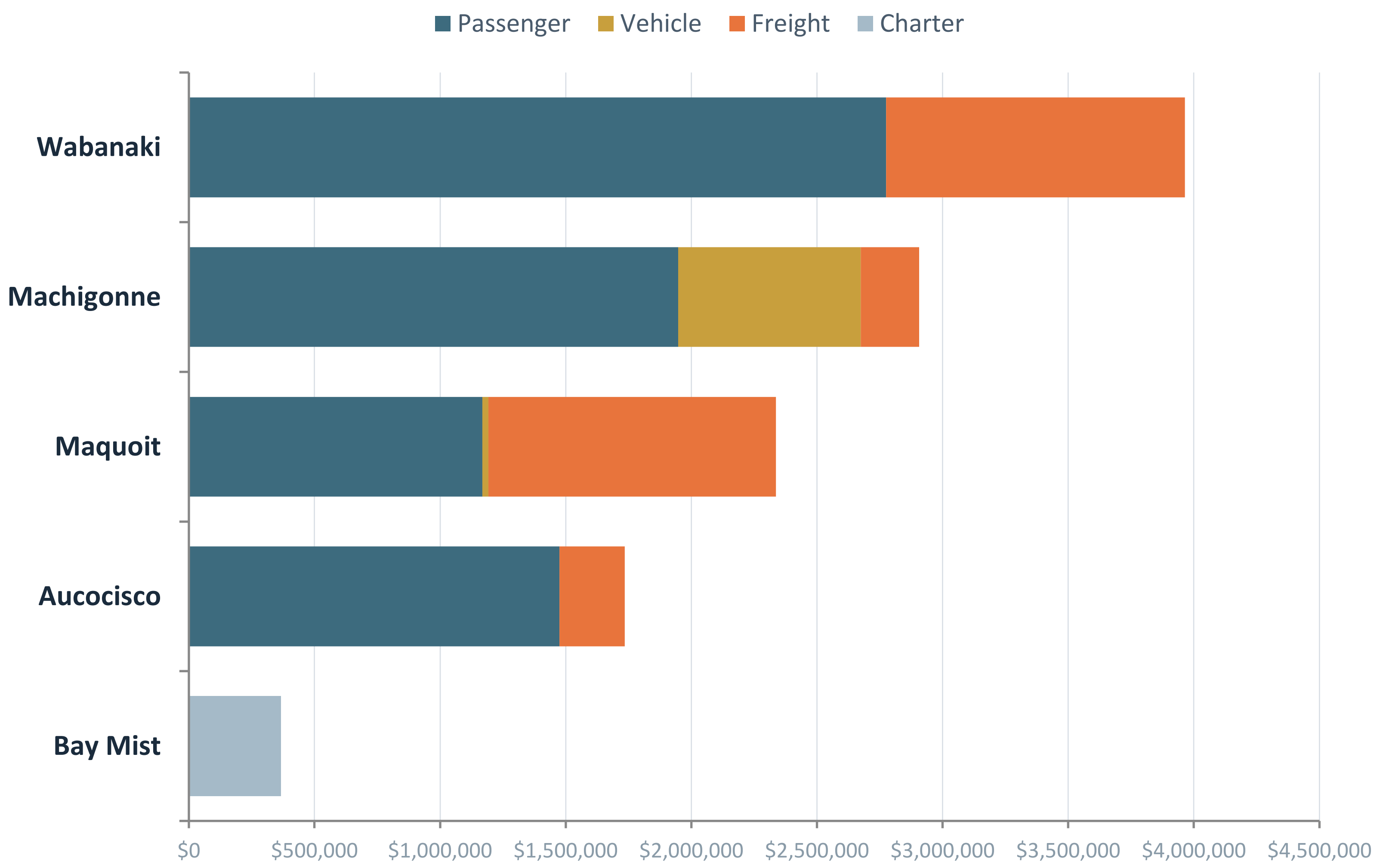
Category-specific equipment & wear

The Maquoit and Wabanaki carry on-board cranes for freight handling; the Machigonne, Aucocisco, and Bay Mist do not. Freight loading also drives different wear patterns on decks, ramps, and hull. The terminal has freight specific equipment including forklifts, cages, pallet jacks, etc.

FY2026 estimated vessel hours: Machigonne 5,160 · Maquoit 4,148 · Aucocisco 3,080 · Wabanaki 7,038 · Bay Mist 415 · Total 19,841

Cost Allocation by Vessel

Each vessel's share of $11.3M in operating expenses, split across the four service categories



TOTAL COST PER VESSEL

Wabanaki	**$3.96M**
Machigonne	**$2.91M**
Maquoit	**$2.34M**
Aucocisco	**$1.74M**
Bay Mist	**$365K**

Wabanaki and Maquoit carry the heaviest freight cost loads
— together accounting for 82% of allocated freight expense.

The Machigonne is the only vessel carrying significant vehicle cost (97% of system vehicle cost), reflecting its role as the car ferry.

Vessel-by-Vessel Cost Breakdown

The full allocation behind the analysis: each vessel's total cost and how it divides across the four services

Vessel	Hours	Hours Share	Total Cost	Passenger	Vehicle	Freight	Charter
Wabanaki	7,038	35.5%	$3.96M	$2.78M **(70%)**	–	$1.19M **(30%)**	–
Machigonne	5,160	26.0%	$2.91M	$1.95M **(67%)**	$727K **(25%)**	$233K **(8%)**	–
Maquoit	4,148	20.9%	$2.34M	$1.17M **(50%)**	$23K **(1%)**	$1.15M **(49%)**	–
Aucocisco	3,080	15.5%	$1.74M	$1.47M **(85%)**	–	$260K **(15%)**	–
Bay Mist	415	2.1%	$365K	–	–	–	$365K **(100%)**
Total	**19,841**	**100%**	**$11.31M**	**$7.37M**	**$750K**	**$2.83M**	**$365K**

How to read this: Each vessel's cost is its share of the system's $11.31M total, allocated in proportion to operating hours, then divided across services using staff judgment about deck space, crew labor, and equipment. Bay Mist's $365K includes $132K of direct catering charged entirely to charter.
Figures are rounded and may not sum exactly. This is an estimate of cost shares, not a per-parcel or per-passenger measurement.

Freight Revenue vs. Cost

How well freight revenue recovers its allocated share of $11.3M in operating expenses

THE FOCUS OF THIS ANALYSIS

Freight

38%

of allocated cost covered by revenue

Revenue	$1.07M*
Cost	$2.83M
Deficit	**–$1.76M**

** Freight rates unchanged in 17 years.*

WHAT THIS ANALYSIS IS AND IS NOT

This is an estimate, not a precise measurement. CBL does not directly track cost per parcel, per passenger, or per vehicle. The analysis allocates total expenses to vessels by hours and within each vessel to service categories using staff judgment about deck space, crew labor, and equipment wear. The result tells us the *order of magnitude* of how each service contributes to the operating picture, not exact dollar amounts.

System total: Revenue $8.52M · Cost $11.31M · Operating Deficit $-2,793,822 (FY2026)
Federal and state operating grants of $3.67M cover the deficit (not guaranteed). Enabling legislation requires CBL to “attempt to minimize the potential need for government operating subsidies for the operations maintained by the district”.

Freight Profit and Loss by Island (Estimated)

Each island's 2025 freight revenue against its allocated cost. Most of that cost is fixed: the boat and crew run regardless of distance or volume.

Island	2025 Rev	Fixed Cost	Fuel	Total Cost	Coverage
Peaks	$383K	—	—	**$290K**	132%
Little Diamond	$18K	$390K	$11K	**$401K**	4%
Great Diamond †	$44K	$390K	$16K	**$406K**	11%
Diamond Cove †	$76K	$390K	$25K	**$416K**	18%
Long	$172K	$390K	$36K	**$426K**	40%
Chebeague	$199K	$390K	$49K	**$439K**	45%
Cliff	$53K	$390K	$60K	**$450K**	12%
Total	**$944K**			**$2.83M**	**33%**

† Great Diamond and Diamond Cove are two terminals on the same island, about a mile apart. Peaks is shown on its dedicated vessel (the Machigonne). Portland is excluded. Figures are 2025 actuals and do not include the proposed 15% freight increase.

PEAKS PAYS ITS WAY

132%

Peaks rides the Machigonne, a short dedicated run, so its freight more than covers its cost.

What Full Cost Recovery Would Require

A single flat increase applied equally to every category on every island, and no protected categories; three raises over 24 months; costs inflated 8% then 4.65% per year.

+345%

Every category, every island

Raises: +114.9%, +53.5%, +34.8%

Item (peak season)	Today	Year 3 All islands
Groceries, bagged or boxed	$1.20	**$5.34**
Personal effects, small	$1.90	**$8.45**
Beer or ale, per case	$2.72	**$12.09**
Appliance, large (refrigerator)	$31.30	**$139.17**
UPS parcel, minimum charge	$4.65	**$20.67**

COVERAGE OF FREIGHT COST	Today	Year 1	Year 2	Year 3	Year 4 (no raise)
	34%	**60%**	**83%**	**100%**	**96%**
	$952,422	$1,844,995	$2,643,147	$3,347,254	$3,372,577

Solved so that Year 3 net tariff revenue plus the USPS mail contract equals the projected Year 3 freight cost of $3,347,254 ($2.83M inflated 8% in year one, 4.65% per year thereafter). Raises at the start, 12 months, and 24 months. Net of the same elasticity assumptions (parcel volume loss reaches 21%); mail assumed +15% per year; Year 4 coverage reflects costs continuing at 4.65% with no further raise.

FY2026 BUDGET, PROJECTED FORWARD

Expense Inflation, FY2027 to FY2029

Every line of the adopted FY2026 budget escalated forward and compounded.

FY2026 base

$11,309,373

Adopted 10/23/2025

FY2027	FY2028	FY2029
7.99% *inflation*	**4.65%** *inflation*	**4.65%** *inflation*
$12,212,703	**$12,780,762**	**$13,375,520**
+$903,330 over FY2026	+$568,059 over FY2027	+$594,759 over FY2028

HOW EACH YEAR WAS BUILT

Driver	FY2027	FY2028	FY2029	Why
Wages, payroll taxes, pension	**7.0%**	**5.0%**	**5.0%**	Employee agreement. Taxes and pension are a fixed share of covered wages. 51% of the budget.
Employee insurance	**8.2%**	**5.0%**	**5.0%**	FY2027 per Mercer, the largest employer health increase since 2003. Later years held at 5%.
Fuel	**+26.4%**	**5.0%**	**5.0%**	Price $3.13 to $5.20 a gallon, less 60,000 gallons displaced by Battery Steele. Net of both.
Utilities	**+$80,000**	**5.0%**	**5.0%**	Step increase for Battery Steele shore charging, then 5% a year.
All other lines	**4.0%**	**4.0%**	**4.0%**	Applied uniformly to the remaining 26 budget lines, drydock included.

Three-year average **5.76%** Compound annual rate **5.75%** Cumulative **18.3%** or $2,066,147

Base is the FINAL FY2026 Budget adopted 10/23/2025. Escalators are applied line by line across all 31 expense lines and compounded annually. Drydock is held at 4% here, but the line is cyclical rather than inflationary and should follow the certificate of inspection schedule. Health trend is held at 5% after FY2027, below every published projection. DRAFT for discussion.

Five Considerations

01 Reduce the operating deficit

Freight runs a $1.76M annual deficit that the district absorbs; every dollar of new net freight revenue reduces the operating deficit and the pressure it puts on the rest of the budget.

02 Protect essentials

Groceries, medicine and perishables rise the least. Personal effects and heating fuel are also capped.

03 Flexibility in Implementation

Choice to phase in rate adjustments over one or more periods.

04 Reflect cost to serve

Adjustments in line with wider industry price indexes, while also recognizing Down Bay islands are less efficient to serve and have higher handling costs.

05 Keep the seasonal balance?

Should peak and off-peak rates rise by the same percentage, preserving the ratio in today’s tariff?

The Proposed Rate Increase by Category:

All categories move to their full proposed levels in a single tariff change. Revenue shown is net of modeled price elasticity response.

Category	Down Bay increase	Peaks Island increase
Groceries & Perishables (protected)	+120%	+120%
Personal Effects (protected)	+150%	+150%
Fuel & Heating Fuel (protected)	+125%	+125%
Parcels (UPS & FedEx)	+269%	+177%
Building Supplies & Trades	+269%	+177%
Beer, Soda, Wine & Alcohol	+269%	+177%
Household Goods	+269%	+177%
Lawn, Garden & Nursery	+269%	+177%
General Freight & Commercial	+269%	+177%
Marine & Recreational	+269%	+177%

NET FREIGHT REVENUE	Today	Years 1
	$841,422	$2,341,623

Peaks Island column is tinted. Protected categories are priced the same for both island groups; the 25% Peaks discount applies to unprotected categories only.

Proposed Sample Rates, Today and After the Increase

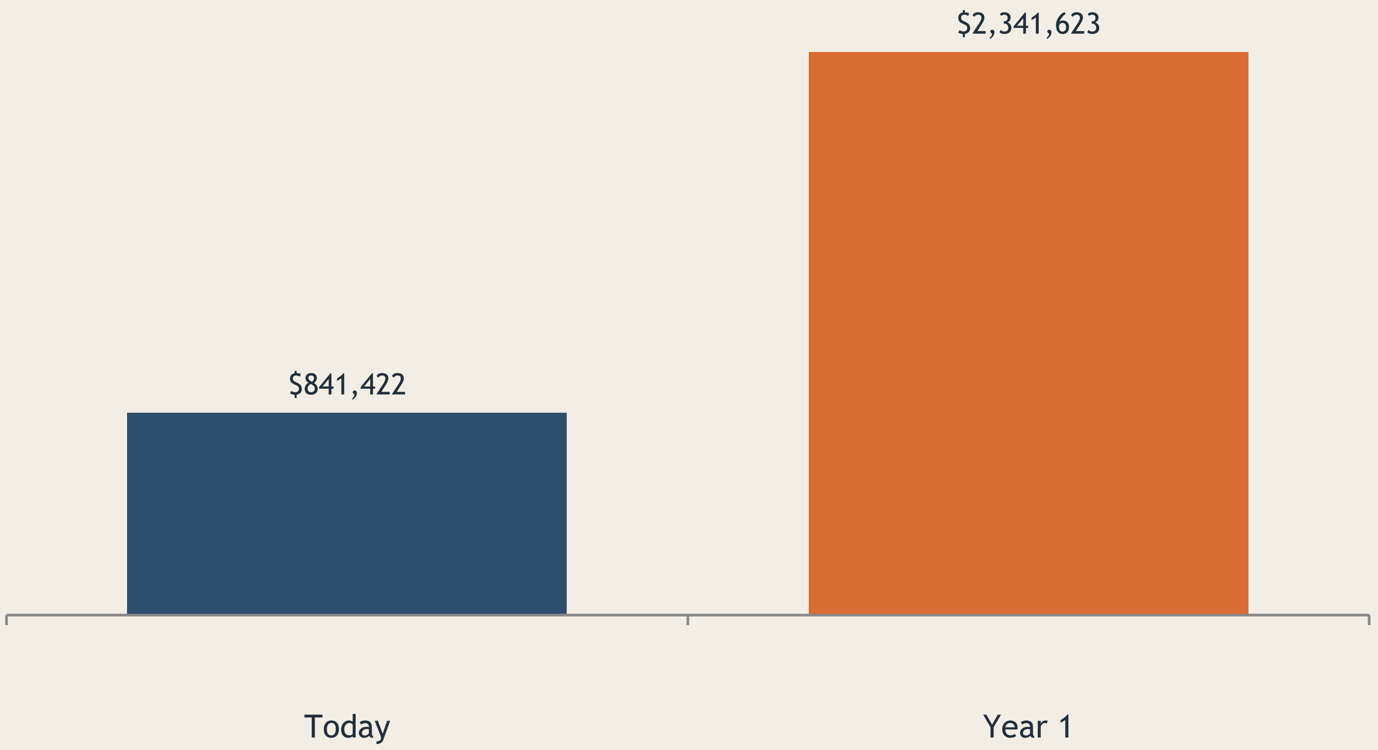
Peak and off-peak, current vs proposal, both island groups.

	Today		After Increase, Down Bay		After Increase, Peaks Island	
Item	Peak season	Off-peak	Peak season	Off-peak	Peak season	Off-peak
Groceries, bagged or boxed (protected)	$1.20	$0.80	**$2.64**	**$1.76**	**$2.64**	**$1.76**
Personal effects, small (protected)	$1.90	$1.25	**$4.75**	**$3.13**	**$4.75**	**$3.13**
Large suitcase or duffle (protected)	$6.85	$4.55	**$17.13**	**$11.38**	**$17.13**	**$11.38**
Kerosene or oil, per case (protected)	$3.40	$2.30	**$7.65**	**$5.17**	**$7.65**	**$5.17**
Beer or ale, per case	$2.72	$1.83	**$10.04**	**$6.76**	**$7.53**	**$5.07**
Appliance, large (refrigerator)	$31.30	$20.85	**$115.57**	**$76.99**	**$86.68**	**$57.74**
4x8 sheetrock	$2.90	$1.90	**$10.71**	**$7.02**	**$8.03**	**$5.26**
UPS parcel, minimum charge	$4.65	$3.15	**$17.17**	**$11.63**	**$12.88**	**$8.72**

Peak season and off-peak rates rise by the same percentage, preserving the current seasonal ratio. Down Bay covers the six outer-island stops; Peaks Island has its own column. Where the Down Bay and Peaks Island figures match, the category is protected and priced the same across the bay.

Net Revenue by Year, One Increase

Includes price elasticity. The full annual gain arrives in Year 1.



One-step annual net gain

+$1,500,202

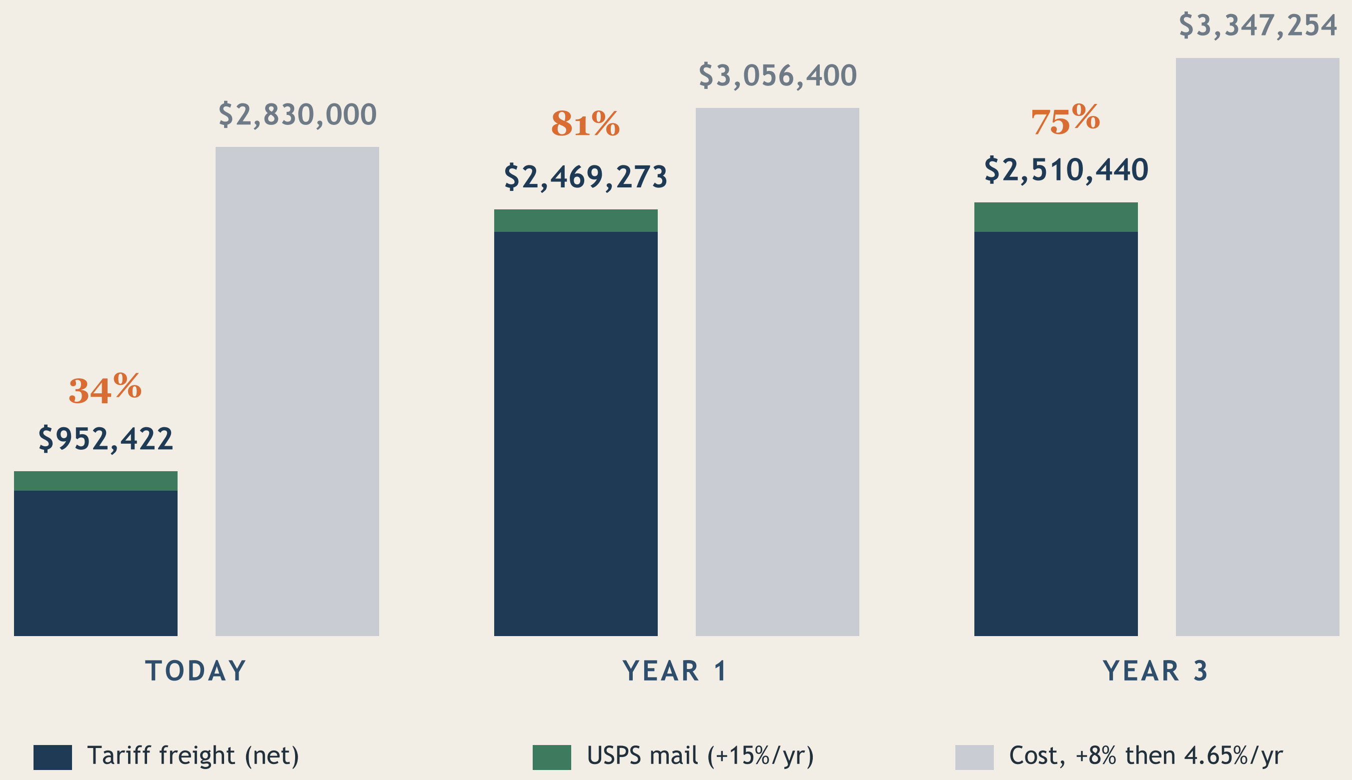
Single-step increase, unprotected Down Bay

+269%

Proposed rates move to their full levels in a single step: 3.69x current on unprotected down-bay categories, 2.2x to 2.5x on protected ones.

Freight Revenue vs the Cost of the Service

Full rates from Year 1, with costs inflated 8% in year one and 4.65% per year thereafter for personnel commitments, fuel risk, and uncertainty.



Coverage peaks in Year 1

34% → 81%

Coverage by Year 3

75%

Remaining gap at Year 3

$836,814

If rates stay flat, Year 3 coverage

~30%

Coverage peaks at 81% in Year 1 and declines about three points per year thereafter as costs inflate.

Revenue: tariff freight net of assumed volume response, plus the USPS mail contract ($111K per year, negotiated separately from board-set tariff rates, assumed +15% per year) as its own segment. Cost: the $2.83M FY2026 freight allocation inflated 8% in year one and 4.65% per year thereafter. Estimates throughout.

PUTTING THE NUMBER IN CONTEXT

What Parcel Delivery Has Done Over 21 years

+243.6%

Increase in producer prices for courier and express delivery services over last 21 years

U.S. Bureau of Labor Statistics
Producer Price Index by Industry: Couriers and Express Delivery Services (series PCU49214921)

Why this matters

The Producer Price Index is an official federal statistic, published monthly by the Bureau of Labor Statistics and used routinely in contract escalation clauses and rate proceedings. It is citeable, independent, and public.

The proposed +**269%** on unprotected down-bay freight, and +**177%** on unprotected Peaks freight, compares with the market's overall +243.6% increase over the last 21 years*, the same duration CBL will have gone without a change if this proposal is fully implemented.

**Uses Jan 2005 to Jan 2026 as proxy to project CBLs phase-in over the same time. Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Couriers and Express Delivery Services [PCU49214921], retrieved from FRED, Federal Reserve Bank of St. Louis.*

PUTTING THE NUMBER IN CONTEXT

Parcel Delivery Since June 2023

+25.0%

Increase in producer prices for expedited courier services since June 2023, when the board began discussing rate increases (~7.5%/yr)

U.S. Bureau of Labor Statistics
PPI: Couriers and Express Delivery Services: Expedited Courier Services (series PCU4921104921102)

Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Couriers and Express Delivery Services: Expedited Courier Services [PCU4921104921102], retrieved from FRED, Federal Reserve Bank of St. Louis, September 2026. Index Dec 1987=100; June 2023 = 313.423, July 2026 (latest) = 391.735.

WHO IS PROTECTED

The Proposed Adjustment Is Not Spread Evenly, By Design

+120%

Groceries & perishables

The smallest increase of any category, both island groups. Bagged groceries move from $1.20 to $2.64.

+125-150%

Personal effects & heating fuel

Personal effects capped at +150%; heating fuel (kerosene, propane, pellets) at +125%. Also priced the same across the bay.

+177%

Everything else, Peaks

Parcels, building materials, alcohol, household goods. Peaks rates end 25% below down-bay rates.

+269%

Everything else, Down Bay

Parcels, building materials, alcohol, household goods.

Total rate increases, identical across all three schedules. Year-round residents buy disproportionately from the protected categories. Rates are sized so net revenue holds the target after the assumed price elasticity effects.

Alternative Proposal: 24-month Phase-in

A 24-Month Phase-In: Three Raises

Same rate ceilings and caps, same endpoint. Raises at the start, at 12 months, and at 24 months.

Category	DB Raise 1	DB Raise 2	DB Raise 3	Down Bay total	Pks Raise 1	Pks Raise 2	Pks Raise 3	Peaks total
Groceries & Perishables (protected)	40.0%	28.6%	22.2%	**+120%**	40.0%	28.6%	22.2%	**+120%**
Personal Effects (protected)	50.0%	33.3%	25.0%	**+150%**	50.0%	33.3%	25.0%	**+150%**
Fuel & Heating Fuel (protected)	41.7%	29.4%	22.7%	**+125%**	41.7%	29.4%	22.7%	**+125%**
Parcels (UPS & FedEx)	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
Building Supplies & Trades	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
Beer, Soda, Wine & Alcohol	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
Household Goods	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
Lawn, Garden & Nursery	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
General Freight & Commercial	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**
Marine & Recreational	89.7%	47.3%	32.1%	**+269%**	59.0%	37.1%	27.1%	**+177%**

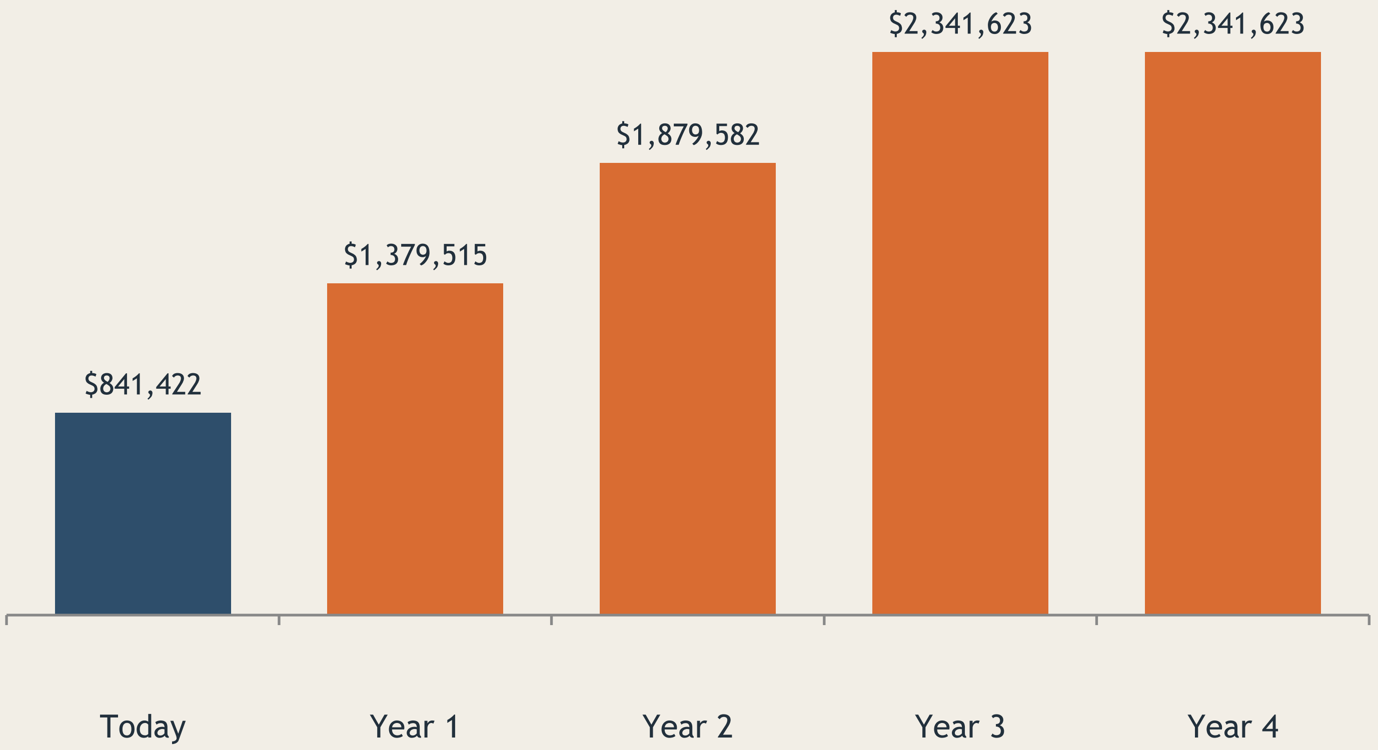
NET FREIGHT REVENUE	Today	Year 1	Year 2	Year 3	Year 4 (no raise)
	$841,422	$1,379,515	$1,879,582	$2,341,623	$2,341,623

Three equal-point raises reach the full rate levels at the start of Year 3; Year 4 holds them. Peaks columns are tinted; the 25% Peaks discount applies to unprotected categories only.

ALTERNATIVE PROPOSAL: 24-MONTH PHASE-IN

Net Revenue by Year

Net of the same assumed volume response. Full rates from the start of Year 3.



Annual steps (three raises)

$538K / $500K / $462K

Full rates in effect

Start of Year 3

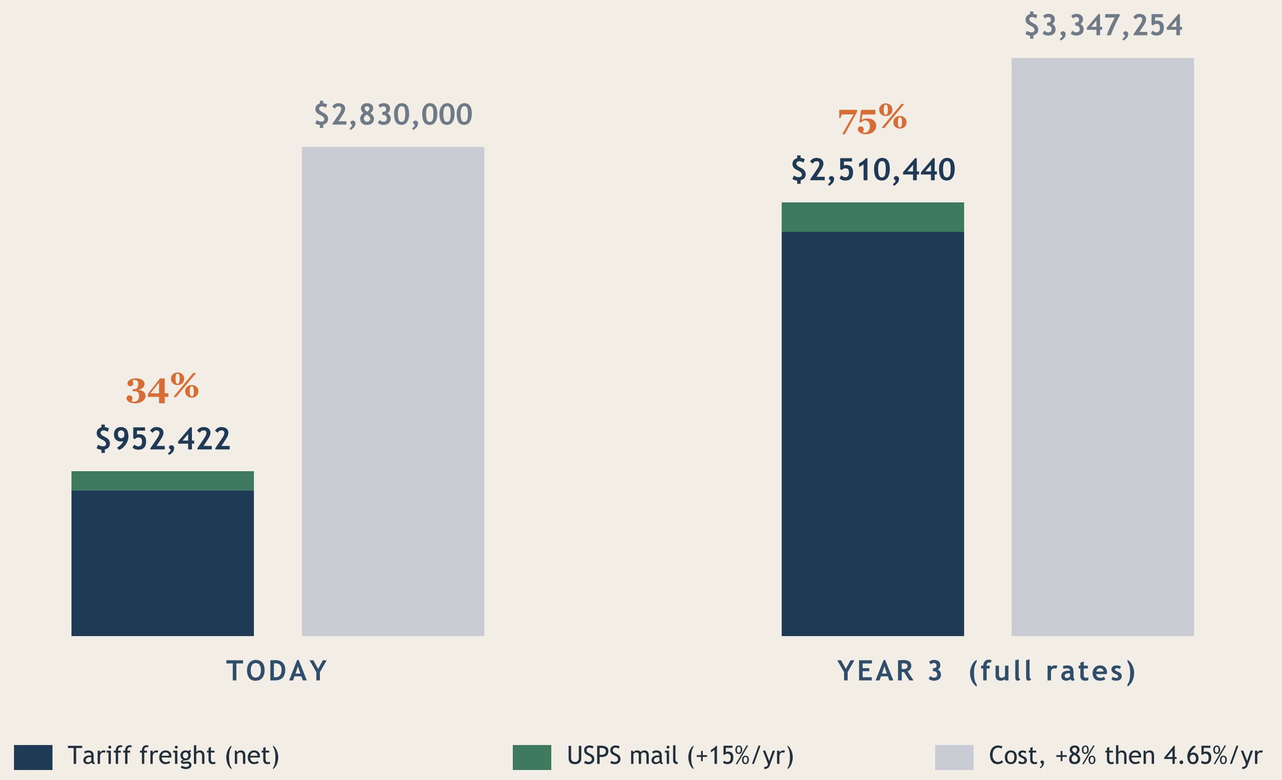
First-raise increase, unprotected Down Bay

+89.7%

ALTERNATIVE PROPOSAL: 24-MONTH PHASE-IN

Freight Revenue vs the Cost of the Service

Full rates by Year 3, with costs inflated 8% in year one and 4.65% per year thereafter.



Coverage at Year 3, this proposal

75%

Coverage at Year 3, 36-month schedule

65%

Remaining gap at Year 3

$836,814

Coverage in Year 4 (no further raise)

~72%

Net revenue plus mail reaches exactly 75% of projected freight cost at Year 3, easing to about 72% in Year 4 as costs continue to inflate.

Same basis as the one-increase outlook: tariff freight net of assumed volume response, plus the USPS mail contract as its own segment (assumed +15% per year, $168,817 by Year 3); cost is the $2.83M FY2026 allocation inflated 8% in year one and 4.65% per year thereafter ($3,347,254 by Year 3). Estimates throughout.

ALTERNATIVE PROPOSAL: 24-MONTH PHASE-IN

Sample Proposed Rates, Today, Raise 1, and Year 3

Peak and off-peak, current vs DRAFT proposal, both island groups.

	Today		Raise 1, Down Bay		Year 3, Down Bay		Year 3, Peaks Island	
Item	Peak season	Off-peak	Peak season	Off-peak	Peak season	Off-peak	Peak season	Off-peak
Groceries, bagged or boxed (protected)	$1.20	$0.80	$1.68	$1.12	$2.64	$1.76	$2.64	$1.76
Personal effects, small (protected)	$1.90	$1.25	$2.85	$1.88	$4.75	$3.13	$4.75	$3.13
Large suitcase or duffle (protected)	$6.85	$4.55	$10.27	$6.82	$17.13	$11.38	$17.13	$11.38
Kerosene or oil, per case (protected)	$3.40	$2.30	$4.82	$3.26	$7.65	$5.17	$7.65	$5.17
Beer or ale, per case	$2.72	$1.83	$5.16	$3.47	$10.04	$6.76	$7.53	$5.07
Appliance, large (refrigerator)	$31.30	$20.85	$59.39	$39.56	$115.57	$76.99	$86.68	$57.74
4x8 sheetrock	$2.90	$1.90	$5.50	$3.61	$10.71	$7.02	$8.03	$5.26
UPS parcel, minimum charge	$4.65	$3.15	$8.82	$5.98	$17.17	$11.63	$12.88	$8.72

Peak season and off-peak rates rise by the same percentage, preserving the current seasonal ratio. Down Bay covers the six outer-island stops; Peaks Island has its own column. Where the Down Bay and Peaks Island figures match, the category is protected and priced the same across the bay.

WHAT TO WATCH

Risks and Open Questions

Parcel concentration

Parcels are 44% of freight revenue today and about 45% of Year 3 net revenue. The plan already assumes roughly 16% of down-bay parcel volume is lost to the increase; the risk is a sharper break, such as carriers restructuring island service outright, as the Peaks Island Amazon box truck showed.

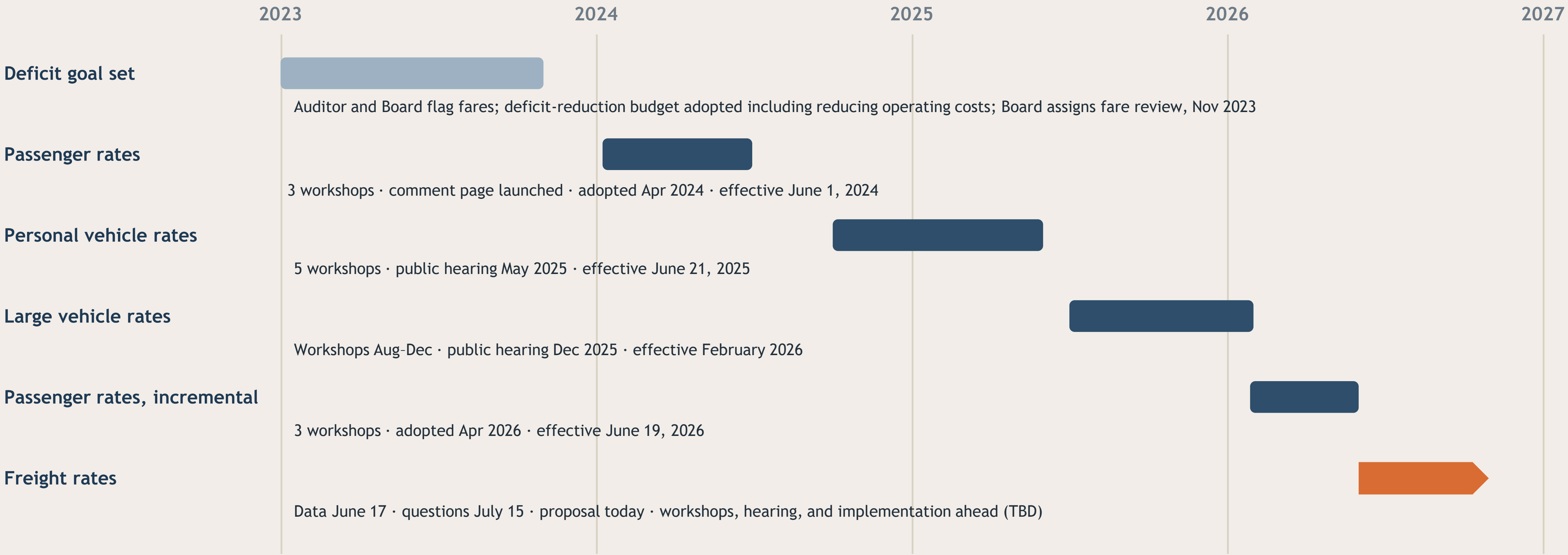
How far to close the gap

The plan closes a large share of the freight deficit at 75%, not all of it. The question remains whether freight should eventually fund itself in full or remain partly subsidized.

WHERE FREIGHT FITS

Timeline of Public Process

The Board set the deficit-reduction goal in early 2023 and sequenced the fare review: passengers first, vehicles second, freight third. Every change since has followed months of noticed workshops, public comment, and PUC review.



January 2023
goal set

60+
noticed public meetings

15+
rate workshops

WHERE THIS PROCESS HAS BEEN

Finance Committee Meetings to Date

June 17, 2026 · Finance Committee

View presentation

Freight rate process begins

Presentation of freight revenue and cost data to open the freight rate review. Discussion covered the gap between freight rates and the cost of providing the service, and the 17 years since the last freight increase.

July 15, 2026 · Finance Committee

View presentation

Freight rate discussion, second meeting

Second review of freight data and questions raised at the June meeting. Committee members agreed the review should protect affordability for groceries and personal freight, and noted that parcel carrier rates have risen substantially over the same period.

September 16, 2026 · Finance Committee

Freight rate proposal, this meeting

Presentation of the DRAFT rate proposal: full-cost-recovery framing, principles, the one-increase option, and the 24-month phase-in reaching 75% cost coverage at Year 3.

Meeting presentations are posted at cascobaylines.com.

Next Steps

1. **Additional Finance Committee meetings**

   Review of the DRAFT proposal, discussion, and solicitation of public feedback. Meeting dates TBD; all meetings noticed, open to the public, and posted at cascobaylines.com.

2. **Finance Committee recommendation**

   Following the workshops, the Finance Committee votes on a recommendation to the Board of Directors.

3. **Board public hearing**

   The Board holds a noticed public hearing on the proposal, with public comment, before considering action. Date TBD.

4. **PUC review and implementation**

   Any adopted change is filed with the Maine Public Utilities Commission at least 30 days prior to commencement; the implementation date is TBD.