

UTILITIES COMMISSION  
RALEIGH

Docket No. A-41, Sub 21

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of )  
Village of Bald Head Island, )  
Complainant, )  
v. )  
Bald Head Island Ferry Transportation, Inc., )  
and Bald Head Island Limited, LLC, )  
Respondents )

**DIRECT TESTIMONY OF  
DAVID SAWYER ON BEHALF  
OF BALD HEAD ISLAND CLUB**



1 **Q. PLEASE STATE YOUR NAME, TITLE, AND ADDRESS.**

2 **A.** My name is David Sawyer. I am the Chief Executive Officer of the Bald Head Island  
3 Club, Inc. My business address is 301 South Bald Head Wynd, Bald Head Island, North  
4 Carolina.

5 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

6 **A.** I submit this testimony on behalf of the Bald Head Island Club and its wholly-owned  
7 subsidiary, the Shoals Club (collectively “BHI Club”), in support of the Village of Bald  
8 Head Island’s petition requesting that the Commission regulate the public parking  
9 operations of Bald Head Island Limited (“Limited”) at the Deep Point Marina ferry  
10 landing, as well as Limited’s barge operations. Limited recently announced that it intends  
11 to sell the Bald Head Island Transportation, Inc. (“BHIT”) ferry transportation assets and  
12 franchise to a newly created subsidiary of SharpVue Capital, a private equity investor. The  
13 BHI Club’s Board of Governors believes the regulatory status of the parking facility at the  
14 Deep Point ferry landing and the barge operation must be resolved before ownership of  
15 BHIT’s transportation assets are allowed to change hands.

1 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
2 **EXPERIENCE.**

3 **A.** I have been the CEO of the Bald Head Island Club and the Shoals Club for three years.  
4 Prior to coming to BHI, I was the President of the Cliffs Clubs located in western North  
5 Carolina and upstate South Carolina, where I worked for thirteen years. I have held  
6 progressive management positions in the private club industry for thirty years in  
7 Pennsylvania, Connecticut, Ohio, and Texas. I attended Penn State University, majoring in  
8 Public Relations and Tourism.

9 **Q. AS ITS CHIEF EXECUTIVE OFFICER, PLEASE EXPLAIN THE BALD**  
10 **HEAD ISLAND CLUB'S INTEREST IN THIS PROCEEDING?**

11 **A.** It is my understanding that this proceeding will determine whether Limited's parking  
12 operations at the Deep Point ferry landing and the barge service that transports goods and  
13 people to the island will be regulated by the Commission along with BHIT's passenger  
14 ferry service. The parking operation at the Deep Point ferry landing is indispensable to the  
15 use of BHIT's ferry service operations – it would be nearly impossible to ride the ferry to  
16 the island if you can't park your car. Together with BHIT's ferry operations, Limited's  
17 parking operation at the Deep Point ferry landing, and Limited's barge operation, comprise  
18 an integrated transportation system that I will refer to as the "BHI Transportation System."  
19 Together the Bald Head Island Club and Shoals Club are the single largest user of the BHI  
20 Transportation System. As such, the BHI Club has a major stake in how the entire  
21 transportation system is operated going forward. The BHI Club's interests not only include  
22 the cost to use the system, but also how reliably the parking, barge, and ferry/tram facilities  
23 are maintained and operated on a day-to-day basis -- regardless of who owns them.

1 **Q. COULD YOU PROVIDE AN OVERVIEW OF BALD HEAD ISLAND CLUB**  
2 **AND THE SIGNIFICANCE OF ITS TRANSPORTATION COSTS?**

3 **A.** Yes, the Bald Head Island Club and Shoals Club are North Carolina non-profit  
4 corporations recognized under Section 501(c)7 of the Internal Revenue Code. These Clubs  
5 are owned by their members and managed by a Board of Governors elected by the  
6 membership. The BHI Club currently has 1,261 member families. As previously noted, the  
7 BHI Club also owns and operates the Shoals Club, a stand-alone beach club which  
8 currently has 816 member families, many of whom are also members of the BHI Club. As  
9 a non-profit corporation, annual membership dues and fees for various services provided  
10 by the BHI Club (e.g., greens fees for using the golf course) are set to recoup the cost of  
11 operating the Club, year over year.

12 **Q. PLEASE PROVIDE A BREAKDOWN OF THE BHI CLUB'S**  
13 **TRANSPORTATION COSTS.**

14 **A.** The BHI Club currently employs 285 persons, virtually all of whom, myself included,  
15 live off the island in Brunswick or New Hanover County, and use the BHI Transportation  
16 System to get to work. The Club pays all employee parking and passenger ferry fees. The  
17 Club also leases warehouse space at the Deep Point barge terminal from Limited and  
18 regularly uses the barge service to transport materials, supplies and equipment needed to  
19 support the Club's operations, including its golf course, beach club, tennis and croquet  
20 facilities, two swimming complexes and six restaurants.

21 In 2021 the two Clubs spent \$956,799 directly on ferry tickets, parking charges, barge fees,  
22 and storage charges for facilities provided by or leased from Limited. This included  
23 expenditures of \$641,127 for employee transport on the passenger ferry, \$179,729 in

1 parking fees, \$101,743 in barge fees, and \$31,200 for leasing warehouse space at Limited's  
2 Deep Point barge terminal.

3 **Q. ARE THE PARKING FACILITIES AND PARKING OPERATION AT THE**  
4 **DEEP POINT MARINA FERRY LANDING AN INTEGRAL AND**  
5 **INDISPENSIBLE PART OF THE FERRY SERVICE OFFERED TO THE**  
6 **PUBLIC BY BHIT?**

7 **A.** Yes. BHIT's passenger ferry operations are essential because there is no bridge  
8 connecting Bald Head Island to the mainland, and with a few minor exceptions (e.g.,  
9 private boat ownership), the island is only accessible to the public by using BHIT's ferry  
10 service. The ferry does not transport automobiles, so ferry passengers must leave their  
11 automobiles at the Deep Point ferry landing, in parking lots owned and operated by  
12 Limited. The parking facilities at the Deep Point ferry landing are thus an indispensable,  
13 integral, and essential part of BHIT's ferry operation.

14 **Q. DOES LIMITED'S BARGE OPERATION TRANSPORT PEOPLE AND**  
15 **GOODS TO AND FROM BALD HEAD ISLAND?**

16 **A.** Yes, the barge is the exclusive means available for transporting all operating supplies  
17 for the BHI Club and the Shoals Club, including food and beverage, golf course supplies,  
18 pool, fitness, tennis, croquet, maintenance, housekeeping, technology, and administrative  
19 support supplies, as well as household goods, to the island. The goods transported for the  
20 BHI Club include furniture, appliances and furnishings required for operating the Bald  
21 Head Island Club and the Shoals Club. The barge also transports furniture, appliances,  
22 supplies, and other household good to the island for Club members owning homes on the  
23 island. All of these goods typically travel in trucks that have drivers that ride over on the  
24 barge.

1 Limited now proposes to sell the parking and barge operations to the newly created  
2 subsidiary of an investment fund. The parking facilities and operation are indispensable to  
3 use of the ferry service. The barge operation carries people and goods to and from the island  
4 that are of vital importance to every house and business on the island. Transfer of these  
5 assets to an unregulated entity with a total monopoly on the parking and barge services,  
6 without the economic development motivations that moderated Limited's use of its ferry  
7 parking and barge monopoly in the past, is a very troubling prospect for all interests  
8 associated with the island, other than BHIT and Limited.

9 **Q. WHY DID THE BHI CLUB INTERVENE IN THIS PROCEEDING?**

10 **A.** The BHI Club's Board of Governors chose to intervene in this proceeding because the  
11 Club has an obvious interest in the future the BHI Transportation System and its vitally  
12 important constituent parts. The island needs dependable service at reasonable prices, and  
13 the prospect of being held hostage through pricing set by an unregulated monopolist that  
14 is the only source for these indispensable services, would not bode well for the Club,  
15 homeowners, or other island interests. It is not difficult to imagine that at some point  
16 monopoly price increases for these essential services could adversely impact Club member  
17 and tourist spending which, in turn, would force the BHI Club to increase prices and could  
18 result in reducing our workforce. The latter adverse income would not only negatively  
19 impact the island but also the entire region, as the BHI Club is one of the largest employers  
20 in the area.

21 **Q. DOES THE BHI CLUB SHARE THE VILLAGE OF BALD HEAD ISLAND'S**  
22 **VIEW THAT THE DEEP POINT PARKING FACILITY AND THE BARGE**  
23 **SHOULD BE REGULATED ALONG WITH THE BHI PASSANGER FERRY?**

1 A. Yes, the parking facilities at the Deep Point ferry landing, barge and passenger ferry are  
2 essential and indispensable components of a commercially owned transportation system  
3 that serves one market: Bald Head Island. The ferry system, parking, and barge operations  
4 are a commercially owned local monopoly relied upon by the public that, in the Club's  
5 view, should be regulated as such. The parking operations at the Deep Point ferry landing,  
6 where anyone planning to use the ferry must park their vehicle, is an inseparable and  
7 indispensable part of the ferry operation. It would practically be impossible for people to  
8 use the BHI ferry or for the ferry to operate without the parking facilities at the Deep Point  
9 ferry landing. The Club believes that the Deep Point parking facilities are integral to  
10 BHIT's provision of ferry service to the public. We know that Limited's barge service  
11 carries operating supplies, construction materials and household goods for the Clubs and  
12 all other businesses on the island, such that the Commission should exercise its statutory  
13 authority to appropriately regulate the parking facilities and the barge operation.

14 **Q. WHY DID THE BHI CLUB ENTER INTO A SETTLEMENT AGREEMENT**  
15 **WITH BHI LIMITED THAT STOPPED SHORT OF REGULATING THE**  
16 **DEEP POINT PARKING FACILITY AND THE BARGE WHEN BALD HEAD**  
17 **LIMITED FILED ITS LAST MAJOR RATE CASE IN 2010?**

18 A. I did not become the CEO of the Bald Head Island Club until 2019 so I was not involved  
19 in the negotiated settlement that was struck in 2010. That being said, I am familiar with its  
20 terms and would think they reflect the give and take realities of a negotiated settlement. I  
21 am not a lawyer, but I understand that the legal significance of that agreement is that the  
22 question of whether the parking operation at the Deep Point ferry landing should be  
23 regulated as an essential component of the ferry service was explicitly left unresolved.

1 **Q. COULD YOU EXPLAIN WHY THE COMMISSION SHOULD TREAT THE**  
2 **BHI TRANSPORTATION SYSTEM AS A SINGLE REGULATED ENTITY?**

3 **A.** Yes, as a practical matter, very few if any of our employees would likely take a job at  
4 the BHI Club if they could not park at the Deep Point ferry landing and catch the ferry to  
5 the island or catch the ferry from the island back to Deep Point and get in their car to drive  
6 home. Assuming the ferry is running on time, which is often not the case during the busy  
7 summer months, the process of parking at the Deep Point ferry landing, walking to the  
8 ferry terminal, riding the ferry to the island, and taking a golf cart from the BHI ferry  
9 landing to the Clubs typically takes about 60 minutes. The same is true of the return trip.  
10 That's more than a two-hour commute each day, not including the time required for an  
11 employee to drive from his/her home to Deep Point and back. Were BHI employees asked  
12 to park somewhere other than the Deep Point ferry landing, assuming an alternative parking  
13 lot was available, which it currently isn't, and take public transportation, which is non-  
14 existent in Southport, from a remote parking lot to the Deep Point ferry terminal and back,  
15 would add considerably to an already long commute. Under such circumstances, working  
16 at the BHI Club and Shoals Club would become significantly less attractive.

17 The problem is further compounded by the fact that the work schedules of many of the  
18 Club's employees can vary with the number of people using the Club's facilities. Some  
19 employees occasionally have to stay late enough in the evening that they miss the last ferry  
20 going from the island to Deep Point. In those instances, the Club usually arranges for a  
21 water taxi to take employees from the island to Deep Point. The future use of water taxis  
22 to transport people when the last boat has run for the evening, including Club employees,  
23 to and from the Island and Deep Point is uncertain.

1 I mention these examples because they illustrate the harsh reality that BHI Club employees,  
2 like nearly all people who travel to Bald Head Island, are captive customers of BHIT's  
3 passenger ferry and Limited's parking operations at the ferry landing. Nearly all who ride  
4 the regulated ferry to BHI have no choice but to park in the unregulated parking facilities  
5 at the Deep Point ferry landing. Similarly, the BHI Club has no other alternative but to use  
6 Limited's unregulated barge operations to get food, beverage, supplies, appliances,  
7 materials, and furniture that the Clubs needs to operate from the mainland to the island.  
8 There simply is no alternative to using the barge service and the cost of creating some sort  
9 of alternative would very likely prove to be prohibitively expensive. In my view, it would  
10 also be wasteful in that the existing BHI Transportation System is perfectly capable of  
11 accommodating demand now and in the foreseeable future.

12 As long as Limited had a stake in growing its development activities and real estate sales  
13 on the island, it had a practical commercial incentive to keep the BHI Transportation  
14 System widely available and the services reasonably affordable. A new commercial  
15 operator of the parking and/or barge operations, constrained by no such economic self-  
16 interest in the success of its real estate sales on the island and interested only in maximizing  
17 the profitability of the unregulated Deep Point ferry landing parking and barge operations,  
18 is unlikely to be as accommodating to users of the BHI Transportation System. As the  
19 largest user of that system, the BHI Club believes the entire system should be regulated as  
20 a public utility operation by the Utilities Commission so as to provide a reasonable profit  
21 to the system owner, and ensure that dependable services are provided to businesses,  
22 employees, vendors, and island stakeholders at reasonable rates.



1 **Q. FROM THE BHI CLUB'S POINT OF VIEW, DOES THE NEED TO**  
2 **REGULATE THE DEEP POINT PARKING AND BARGE FACILITIES DEPEND**  
3 **ON WHO ENDS UP OWNING THE BHI TRANSPORTATION SYSTEM?**

4 **A.** No, the BHI Club's sole interest in this proceeding is ensuring that regardless of who  
5 owns the BHI Transportation System, user fees for the passenger ferry, parking and barge  
6 services will be at reasonable levels, and that the entire system is operated in a safe and  
7 reliable manner.

8 **Q. COULD YOU DESCRIBE THE SIGNIFICANCE OF THE BALD HEAD**  
9 **ISLAND CLUB TO THE COMMUNITY OF BALD HEAD ISLAND AND ITS**  
10 **ECONOMY, AND THE SIGNIFICANCE OF THE BHI TRANSPORTATION**  
11 **SYSTEM TO BOTH THE BHI CLUB AND THE BALD HEAD ISLAND**  
12 **COMMUNITY?**

13 **A.** Yes, it is important to understand that Bald Head Island is a resort community that  
14 HEAVILY depends on providing a resort lifestyle for residents/members, as well as  
15 tourism and tourist spending to prosper. I like to think of the BHI Club as the community's  
16 anchor tenant. In my view, the Clubs could not exist without the BHI community, just as  
17 the BHI community could not exist without the Clubs and the amenities they offer, which  
18 enhances value for all stakeholders, and also has a tourism factor that the Club attracts. The  
19 symbiotic relationship between the island community, the Clubs and vacationer tourism  
20 could not exist without a reliable, safe, and affordable transportation system.

21 As I alluded to earlier, much of this co-dependance has to do with the economics of  
22 sustaining a resort community with roughly 1,200 homes, of which almost half are rented  
23 out to vacationers, and the remainder mostly occupied periodically by part-time residents,  
24 on an island that is accessible only by watercraft. The latter fact obviously adds to the total  
25 cost of providing services on BHI, whether they be essential municipal services provided  
26 by the Village government (e.g., sewer and water, public safety, etc.), leisure and

1 recreational services provided by the Clubs (e.g., golf, tennis, swimming, dining, etc.), or  
2 a host of other services (e.g., construction, food services, etc.) provided by other  
3 businesses.

4 A very important factor for ensuring the viability or financial health of the BHI community  
5 as well as the BHI Club, therefore, has to do with attracting enough users (i.e., property  
6 owner residents/club members, and vacationers) to keep the average cost of coming to and  
7 enjoying the many amenities of Bald Head Island at reasonably affordable levels.

8 **Q. ARE THERE OTHER TRANSPORTATION ISSUES RAISED BY THE**  
9 **VILLAGE'S PETITION TO REGULATE THE DEEP POINT PARKING AND**  
10 **BARGE OPERATIONS THAT YOU BELIEVE THE COMMISSION SHOULD**  
11 **CONSIDER?**

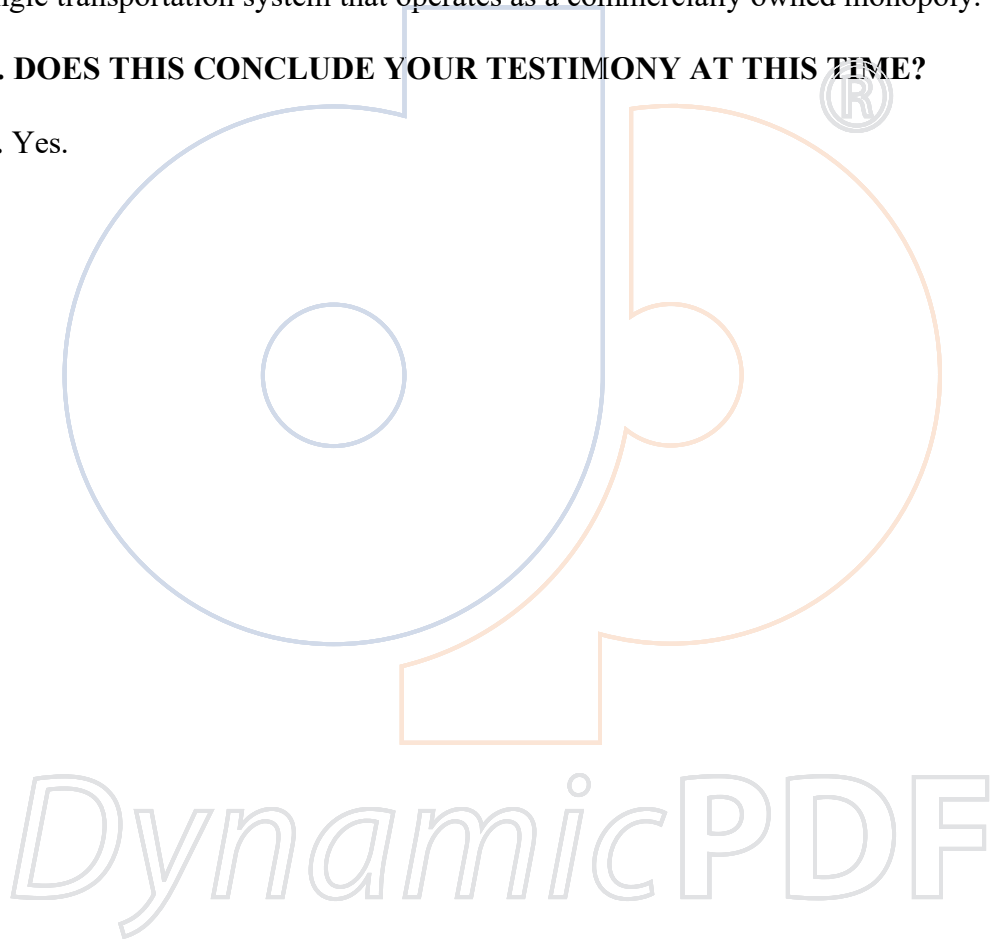
12 **A.** Yes, I urge the Commission to carefully consider not only the need to regulate user fees  
13 for parking at the Deep Point ferry landing and barge operations, but also how regulating  
14 the entire system would affect service quality. I use the BHI Transportation System 5 to 6  
15 times a week and have done so since becoming the BHI Club's CEO in July 2019. During  
16 that time, the BHI Transportation System has experienced its fair share of stress, initially  
17 due to disruptions brought about by Covid-19, and more recently by an uptick in traffic  
18 volumes and understandable difficulties in hiring a requisite number of employees.

19 In my view, Limited has done a good job of managing the BHI Transportation System in  
20 the face of these problems. It is also apparent that the capacity of the system, particularly  
21 during peak use summer months, will need to be expanded to accommodate growth from  
22 the number of homes being built on the island. Expanding the system, and making needed  
23 improvements, also will require added capital investment (e.g., for new boats and updated  
24 ferry terminal facilities). In the face of these future capital spending requirements and how  
25 much a new owner/operators might be willing to pay Limited for its existing transportation

1 assets, I would think that owner/operator would needs to know whether the Deep Point  
2 parking and barge operations will be regulated in the same manner as the passenger ferry.  
3 The BHI Club believes that those aspects of the BHI Transportation System should be  
4 regulated for precisely the same reasons the BHI passenger ferry is currently regulated.  
5 The ferry, parking and barge are essential and highly inter-dependent components of a  
6 single transportation system that operates as a commercially owned monopoly.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

8 **A.** Yes.

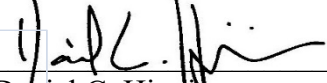


### CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing document, has been served on all counsel of record for all parties in this docket, if any, and the Public Staff, by either depositing same in a depository of the United States Postal Service, first-class postage prepaid and mailed by the means specified below, or by electronic delivery.

This the 8<sup>th</sup> day of September, 2022.

BURNS, DAY & PRESNELL, P.A.

  
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