

Testimony of the
Passenger Vessel Association

To the
Committee on Commerce, Science, and Transportation
United States Senate

On S. 1510, the United States Cruise Ship Tourism Development Act of 1999

October 6, 1999

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Mr. Chairman, and members of the Subcommittee, I am Edmund B. Welch, Legislative Director of the Passenger Vessel Association.

The Passenger Vessel Association is the national voice of U.S.-flag passenger vessels of all types. We represent the interests of owners and operators of overnight cruise ships, dinner cruise vessels, sightseeing and excursion vessels, gaming boats, car and passenger ferries, and private charter vessels. The passenger vessel industry carries nearly 200 million passengers each year.

With nearly 500 vessel-operating and associate members, PVA is the industry's voice and advocate in the halls of Congress and with the U.S. Coast Guard and other federal agencies.

Our associate members are key suppliers to the passenger vessel industry, including shipyards, marine architects, vessel builders and decorators, insurance companies, publishers, food supply companies, computer software vendors, marine equipment suppliers, engine manufacturers, and others.

You may be under the misimpression that there are no U.S.-flag overnight passenger vessels, other than the *S.S. Independence* in Hawaii. You may hear such a statement during the testimony today. But it's simply not so! There is a vibrant and exciting market segment in the U.S. trades consisting of small-ship overnight cruise vessels. The Passenger Vessel Association counts most of these companies as members.

You may not be aware of these small passenger vessel companies, but they embody everything Congress wants in a maritime policy. Their vessels are built by American workers in U.S. shipyards in places such as Rhode Island, Indiana, Florida, Louisiana, Alabama, and Washington. They employ American workers as crew and on their shoreside staffs. Their vessels operate on popular itineraries throughout the United States. The companies and their employees all pay U.S. income and other taxes.

Let me describe our overnight cruise members.

We are pleased to have Delta Queen Steamboat Company of New Orleans as a PVA member. The company operates the *Delta Queen*, *Mississippi Queen*, and *American Queen* riverboats. It will soon operate an additional vessel, the 161-passenger *Columbia Queen* in the Pacific Northwest. Nichols Brothers Shipyard in Freeland, Washington, will complete that vessel later this year. And Delta Queen has embarked on a building program of up to five new coastwise passenger vessels to be known as the Coastal Queens. Each will carry 226 passengers. These vessels will operate on itineraries on the Atlantic, Gulf, and Pacific Coasts, and may possibly serve the Great Lakes. Delta Queen has signed a \$60 million contract for the first two Coastal Queens with Atlantic Marine in

Jacksonville, Florida, and work is already underway.

American Hawaii Cruises currently operates the *S.S. Independence* among the Hawaiian Islands. As a result of enabling legislation enacted by Congress, the company has signed a contract with Ingalls Shipbuilding in Mississippi to construct two cruise ships of 72,000 gross tons carrying 1900 passengers each. They will operate in Hawaii. In the interim, American Hawaii Cruises intends to purchase the *Nieuw Amsterdam* and place it under the U.S. flag for Hawaiian operations. The vessel will carry 1214 passengers.

Cruise West is headquartered in Seattle, Washington. The company operates seven vessels along the West Coast of North and Central America. The vessels accommodate from 52 to 102 passengers. Six of these vessels are overnight cruise ships. The company fears that if a larger foreign cruise vessel were to enter its domestic markets, its revenues could be impacted, in part because of the dominating marketing and advertising messages of the foreign-flagged cruise lines.

Special Expeditions Marine is another Seattle-based Company. It operates two 70-passenger passenger vessels on the West Coast from Alaska to Baja California.

Yet another Seattle company is American West Steamboat Company. They operate the 163-passenger overnight sternwheeler *Queen of the West*. Their expansion plans include the 244-passenger *Empress of the North*, a vessel that has already been designed with a projected launch in 2002.

American Canadian Caribbean Cruise Line of Warren, Rhode Island currently operates three overnight cruise vessels with passenger capacities of between 84 and 100 along the Atlantic and Gulf coasts. The vessels were built in 1998, 1997, and 1994 in the company's sister shipyard, Blount Industries of Warren, Rhode Island.

Clipper Cruise Line of St. Louis, Missouri, operates a 138-passenger vessel on routes in the Great Lakes, Atlantic Canada, and U.S. East Coast. A second 102-passenger vessel sails in Alaska and the West Coast. The company estimates its capital investment in the two vessels at nearly \$28 million.

Glacier Bay Tours and Cruises of Seattle operates four overnight cruise passenger vessels on the West Coast from Alaska to Baja California; their passenger capacities range from 48 to 88. The company, owned by an Alaskan native corporation, has an annual payroll of \$4.1 million for 150-200 employees.

Other PVA members, such as The Boat Company and American Safari Cruises, sail very small overnight cruise vessels (20 passengers or fewer) in Alaska waters.

In addition to vessel-operating members, PVA has associate members that build and supply small passenger ships. Examples are: Nichols Brothers Boat Builders of Freeland, Washington; Blount Industries of Warren, Rhode Island; and Atlantic Marine of

Jacksonville, Florida

Our message to you today is “We are here! We are U.S.-flagged, U.S.-built, U.S.-owned, and U.S.-crewed passenger vessels. We depend upon the Passenger Vessel Services Act and we fully support all the principles underlying it.”

Make no mistake: if Congress were to change the law so that foreign-flagged vessels entered our markets, we would suffer enormously. How could we stay in business paying good wages to American citizens while competing against foreign vessels paying far lower wages to noncitizens? How could we continue to pay income taxes on all of our operations, no matter where the vessels sail, while our foreign competitors pay fewer or even no income taxes to the United States? Why would Congress want to favor foreign businesses at the expense of existing American ones?

Let’s make one thing clear: the Passenger Vessel Services Act is *not* the absolute bar against foreign-flag vessels serving U.S. ports that some erroneously claim. Under existing law, a foreign-flag passenger vessel can sail on a cruise-to-nowhere into international waters from a U.S. port anytime it wishes. It can have passengers embark at a U.S. port, subsequently call upon other U.S. ports (where the passengers can go ashore, but not disembark from the vessel permanently), and then sail to a foreign destination. In the Great Lakes, it is a simple matter for a foreign vessel to embark passengers at a U.S. port, call upon subsequent U.S. ports, and then disembark the passengers at a Canadian port (or vice versa); two foreign passenger vessels will do so next year. In recent years, a foreign passenger vessel has offered extensive service from Alexandria, Virginia, and advertised these cruises heavily in the *Washington Post*.

Does the Passenger Vessel Services Act serve a purpose today? Does it accomplish that purpose? You bet it does. Under its auspices, there has developed a strong industry of small passenger vessels flying the U.S. flag and serving U.S. coastwise routes. New U.S.-built vessels continue to enter this market. We have a positive story to tell about the Passenger Vessel Services Act.

Turning to the specifics of S. 1510, Mr. Chairman, we must report that we have serious concerns about the legislation, although we recognize that your intent is to “jump-start” the domestic industry for large cruise ships.

Mr. Chairman, we believe that any bill on the Passenger Vessel Services Act should embrace the principle of “First, do no harm.” We fear that S. 1510 could harm the existing, thriving small vessel U.S. flag fleet. In some cases, it will permit foreign-flag vessels of no more than 9,000 gross tons to come into domestic service. This threshold is too low. It will bring in vessels that will compete directly with the 226-passenger Coastal Queens. We recommend that you scrap the bill’s reliance on tonnage and simply have it apply to passenger ships that have overnight accommodations for 750 passengers or more.

Secondly, the bill attempts to give a preference to a coastwise-qualified U.S. flag

vessel over all other vessels. However, because of the way the bill defines “cruise vessel,” and because of its “comparability” standard, it provides no protection at all for most of our vessels. A foreign-flag vessel could enter our markets, and under the bill, our vessels would have absolutely no recourse. It’s simply not accurate to assume that a larger vessel entering a market has no competitive impact on a smaller vessel. Our operators in southeast Alaska already struggle against foreign-flagged competition in the same region. They can tell you how tough that it.

A serious shortcoming of S. 1510 is that it fails to make clear whether or not all vessels in the coastwise trade will have to abide by the same laws. For instance, will the National Transportation Safety Board have jurisdiction to investigate accidents on foreign-vessels operating in domestic commerce more than three miles from our shore? Right now, the answer would be no, although NTSB has jurisdiction over U.S.-flagged vessels no matter where they operate. That’s not fair. The bill should specifically provide that NTSB has jurisdiction over any passenger vessel operating in coastwise service.

Similarly, will the Americans with Disabilities Act apply to every vessel operating in coastwise service? It applies to us right now, and it would be unfair and contrary to U.S. policy towards persons with disabilities to allow a vessel to provide domestic service without being subject to the ADA. However, as of now, the foreign-flag passenger industry strongly maintains that the Americans with Disabilities Act does not apply to their vessels, even those embarking and disembarking passengers at U.S. ports. The bill should provide specifically that the ADA applies to every vessel operating in U.S. domestic service.

Would the Federal minimum wage law apply to the vessels allowed into domestic service by S. 1510? It certainly applies to our vessels. How equitable would it be to exempt one category of vessels and not provide the same treatment to their competitors. But, right now, the Fair Labor Standards Act has a statutory exemption for a “seaman” on a foreign vessel. S. 1510 ought to ensure equal treatment.

Finally, Mr. Chairman, we believe that operators in the U.S. coastwise trades should fly the U.S.-flag on their vessels. They should abide fully with the laws and rules that affect American companies. Our vessels fly the U.S. flag, we hire American citizens and pay them American-level wages, and we are fully subject to all Federal and state laws. If we can do it, why can’t they? Why should they receive favored treatment? Unfortunately, we believe that S. 1510 will provide that favored treatment to foreign companies for at least seven years without extracting from them any binding commitment to build vessels in the U.S. or operate passenger vessels under the U.S. flag.

Mr. Chairman, our members are providing the type of domestic cruising experiences sought by the Cruising America Coalition, and we are doing it on U.S.-flag vessels. Our operators are expanding their fleets. If this committee is to act on S. 1510, we ask that it be amended so that it will not have a detrimental or unfair impact on us.

Mr. Edmund B. Welch is Legislative Director for the Passenger Vessel Association. A member of the North Carolina State Bar, he served in various capacities on the staff of the U.S. House of Representatives for nearly twenty years, including as Chief Counsel of the House Committee on Merchant Marine and Fisheries from 1981 to 1993.

Neither Mr. Welch nor the Passenger Vessel Association have been the recipient of a Federal grant in the current fiscal year or the two prior fiscal years.