

Responsible Cruising in Alaska

Senate Finance Committee
Juneau, Alaska

April 5, 2010

Dear Senators,

RE: SB 312

Thank you for the opportunity to comment on SB 312. This Governor-submitted bill would severely degrade the Commercial Vessel Passenger Fund. The following bullet points regarding SB 312 are meant to critique this Governor's bill, to improve it, and make it less punitive to Alaska port communities that host cruise ships in Alaska each summer. I trust these points are considered and viewed favorably by the Finance Committee.

- SB 312 was industry-written as a punitive reaction to the voter-passed cruise initiative of 2006; it punishes cruise port towns.
- The bill is designed to lower the state fund by 59%, from \$46 million per year to less than \$19 million in cruise capital funding;
- The major result of passing this bill would be short-changing smaller cruise ports in Alaska; Sitka, Hoonah, and especially the westward ports of Seward, Whittier and Kodiak.
- 312 limits state ability to capitalize large cruise projects like Panamax docks which cost \$20 million to build.
- As a direct critique, SB 312 is a "**Cap and Skim**" math trick that has no justification except to decimate the tax revenue fund.
- Funding will be limited and municipalities will return on bended knee to Vancouver and Miami for partial dock funding.
- SB 312 takes Alaska 'back in time,' restoring bickering and competition between ports for industry visits & dock funding.

ON A POSITIVE NOTE:

- All Alaska cruise ports have received some funding from the state head-tax fund. These primary port projects are good investments for both industry and local communities;
- Cruise tax funding has **not** been hoarded as many wrongly claim, but is appropriated each year for new capital projects and paying down bonded debt for cruise docks;
- FY 11 proposals for cruise funding thus far are exactly what Alaska voters intended – thanks to AG and OMB leadership.
- In years ahead, as the economy keeps improving, more ships will cruise to Alaska and require new and improved port projects; the sole purpose of the passenger head-tax.

SUGGESTIONS FOR CRUISE TAX REFORM:

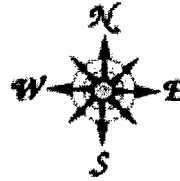
- ✓ A modest cut in the \$46 state tax equal to the decline of 2010 passengers: 15%. A \$39 tax is a positive message to industry and preserves state ability to appropriate funds.
- ✓ 2010 Alaska taxes have already been collected by industry in the cruise ticket price. An effective date of 2012 on SB 312 gives industry time to re-deploy more ships to Alaska and achieve the 1 million passenger high-mark of 2009;
- ✓ Eliminate the words Regional Fund in state cruise law, but not the funding. The Legislature has always appropriated tax revenue as a whole, not by the words “Regional Fund.”

Alaska voters want reform of cruise ship practices in our state; **Protection of Clean Water** and **Fair Taxation** of this multi-billion dollar industry. While modest changes in state cruise law will be tolerated, wholesale changes that cripple funding for cruise capital projects should be addressed by Alaska voters, not Miami-based threats. Please conduct an objective, state review of this important issue, which may lead to modest reforms in SB 312. Thank You,



Theodore Thoma, President
Responsible Cruising in Alaska

Attachment: 3/12/10 letter to Governor Parnell



Responsible Cruising in Alaska

Governor Sean Parnell
Juneau, Alaska

March 12, 2010

Dear Governor Parnell:

RE: Cruise Ship Tourism

Responsible Cruising in Alaska supports both your travel to the Seatrade Conference in Miami and sustainable tourism, including large cruise ships, when these activities provide positive economic and revenue benefits to the state. Also, the large-ship cruise industry must meet Alaska's existing water quality standards at the point of discharge, as set out in Alaska law, in order to protect marine waters used for sport, commercial and subsistence fisheries.

Regarding pollution, the Alaska cruise industry has made enormous strides in preventing pollution since a decade ago when the industry was routinely being charged and convicted for felony dumping offenses. Installing working Advanced Wastewater Treatment systems on these vessels has put the industry on the cusp of meeting all Alaska's water quality standards (WQS's) at the point of discharge. The January issue of ***The Maritime Executive*** magazine supports this view that compliance with Alaska WQS's is now attainable. Remaining concerns are removing harmful discharge amounts of ammonia and copper, which directly affect marine growth and returning salmon. In fact, it is evident from DEC review and industry comments that the high levels of copper on some ships stem from water softeners interacting with the ship's copper plumbing; a problem easy to solve. The copper problem is the ships themselves, not local water sources.

Because tourism is a vital part of Alaska's economy, the great news is that recent financial upheavals and world-wide recession are ending. According to recent travel publications and journals like ***The Economist***, advance cruise bookings including trips to Alaska are robust. In fact, one good measure of cruise booking strength is the rising cost of Alaska tickets. The average cost of berths for the state Ocean Ranger program is up 21% in 2010 compared to last year. That is a clear and positive sign of industry rebound and recovery.

When you meet with cruise executives in Miami to encourage increased cruise tourism to Alaska, please stress the following points:

- ✓ Industry is very close to achieving Alaska WQS's for pollutants, especially heavy metals and ammonia. Keep working to reach these goals, using the rapidly improving removal technologies.

- ✓ The cruise lines spend \$70 M a year to market cruises here. Alaska can either add to that figure or market primarily to independent air travelers.
- ✓ When cruise ticket prices are up in 2010 by hundreds of dollars, a \$46 tax that pays solely for primary cruise infrastructure in Alaska is stable.
- ✓ Alaska is not 'hoarding' tax revenues collected from the passengers. Every available dollar has been appropriated for docks, sidewalks, restrooms and road projects, all used by the passengers on their visits.
- ✓ Capital projects proposed for FY 2011 from the passenger tax are for primary cruise infrastructure in many Alaska ports. These projects also mitigate the economic impact on local and state residents.
- ✓ As one of the most beautiful and desirable travel destinations, the industry and state should work together to expand other opportunities for cruise passengers when traveling in Alaska, e.g., development of a world-class lodge on the south side of Denali.

Alaska is a great place for cruising. Passengers come to Alaska from around the world to experience the vast beauty of Glacier Bay and the scenic splendor of Prince William Sound. Passengers love the sights and sounds in historic communities like Ketchikan, Skagway, Sitka and Talkeetna.

RCA urges you to continue working with the cruise industry so that Alaska remains a premier visitor destination. But Alaska cannot afford to alter the water quality standards that protect the marine waters and resources directly related to those experiences that cruise visitors seek. And at least for the next decade, the current, stable tax structure is needed to build primary infrastructure for the safe and efficient movement of passengers. These capital improvements are critical to the long-term viability of the industry.

Cruise tourism in Alaska will continue to grow in the coming decades, as it has each year for the past 25 years. Working together with port communities, the industry, and with fair and stable passenger taxes, Alaska can be the best cruise destination on Earth, sustaining a vital economic sector for many years to come. Thank you for your continuing interest and assistance,



Theodore Thoma, President
Responsible Cruising in Alaska

Copy: Mike Nizich, Chief of Staff
Larry Hartig, Commissioner, DEC
Pat Galvin, Commissioner, Revenue
Emil Notti, Commissioner, Commerce, C & ED