



February 2, 2009

Dear Alaska Legislators,

The session has started and cruise industry lobbyists are once again filling the capitol. As non-profit, public organizations, CSAW and RCA cannot match the hours the cruise industry and their allies will spend to change important provisions of the cruise ship initiative passed by voters in 2006. The cruise industry wants you to (1) repeal the ban on "mixing zones" for large vessels (current law requires these floating cities to meet Alaska's Water Quality Standards (WQS) at the point of discharge), and (2) reduce the tax levies on the passengers and the cruise lines.

Here are the facts: the cruise lines have not installed any new wastewater treatment equipment on their ships since 2006. Instead, the industry has directed their lobbyists to try and repeal state law rather than comply with our pollution requirements. The industry claims the new law cannot be met, yet many ships are already meeting most of the discharge standards without mixing zones. In fact, most pollution problems appear to be related to older ships in the cruise fleet. Significantly, the Alaska Department of Environmental Conservation (ADEC) has given the cruise industry until 2010 to comply with the WQS without penalty.

As part of this thoughtful approach to implementing the law, ADEC is hosting a technology conference on cruise ship discharges on February 18 in Juneau, where vendors and scientists will present treatment technologies that can resolve the few remaining discharge issues without changing the mixing zone rule. ADEC has a worthy goal — working with the cruise industry, science, the public, and interested organizations to identify ways to improve discharge performance and ensure the health of our marine resources. Repealing the rule related to diluting discharges before these technologies are evaluated and perhaps included in pilot programs in 2009 is clearly premature. If the cruise industry wants decisions to be based on science (as they claim) they should cooperate with DEC's technology evaluation process and be open to trying to meet the standards, rather than working to repeal them before the department's scientific evaluation has been completed.

Segments of the cruise industry have criticized the passenger fee or "head tax" sanctioned by Alaska's voters in 2006. An independent economic review of the 2007 cruise season by the McDowell Group demonstrated that the taxes and fees passed in 2006 did not cause any decrease in cruise ship passenger visitation to Alaska or passenger spending in ports of call. The \$50 head tax paid by cruise passengers is a tiny fraction of the total costs incurred by a passenger when they visit Alaska. The visitor head tax and the other cruise-related revenue (the corporate income tax on marine operations and the cruise gambling tax) have been successfully collected and disbursed by the Alaska Department of Revenue in a competent and efficient manner since 2007. The allocation of a portion of these revenues is restricted by federal law, and the Alaska Legislature has properly appropriated the revenue to comply with both state and federal laws. This revenue has greatly benefited Alaskan communities impacted most by cruise operations.

Revenue from these new taxes has been extremely helpful in financing new docks, harbors and port facilities – the very infrastructure that allows cruise visitors to enjoy their trip to Alaska while ensuring the cruise industry remains successful. Without these cruise passenger revenues, funds for construction of safe & efficient tourism infrastructure would need to be cobbled from local property and sales taxes, bonding and other erratic sources. At a time when many Alaska families are struggling to make ends meet, asking the one million summer tourists and Miami-based cruise companies to pay their fair share for needed tourism infrastructure makes sense.

The comprehensive initiative passed by Alaska voters in 2006 addressed critical shortcomings related to taxation and wastewater treatment oversight for the cruise industry. The Alaska Department of Revenue has done an exemplary job collecting the new taxes without unnecessary fees and costs. Enacting reasonable taxes on the cruise companies and passengers to build necessary tourism infrastructure makes far more sense than having coastal communities fund the construction of cruise wharfs, docks and tourist roadways themselves.

DEC now issues discharge permits for cruise ships, as they do for all other dischargers, and the Ocean Ranger program has given Alaskans needed assurance that the State's pollution rules are being followed. The approach adopted by DEC has been measured and appropriate, and affords the cruise industry ample time to comply with regulations that protect Alaska's incomparable marine resources. Given the state's reliance on commercial and sport fishing, subsistence, and the many uses of marine waters for local recreation and tourism, Alaska must protect its coastal waters by preventing the discharge of heavy metals like copper and other substances known to negatively impact salmon and other aquatic resources.

We urge members of the Alaska Legislature not to heed the cries of the Miami-based cruise industry. This luxury industry registers all their ships in foreign ports to avoid U.S. income taxes and labor laws. They should not now ask Alaska for local tax-relief and weaker pollution rules because they fear for the US economy and its potential, future impact on their bottom line.

Let's keep Alaska waters clean and continue to appropriate cruise tax revenues for worthy projects that benefit the cruise passengers, the companies and impacted Alaska communities.

Please contact us to discuss any of these issues in more detail. Thank you,



Gershon Cohen Ph.D.
Project Director, CSAW
766-3005 gershon@aptalaska.net



Theodore Thoma
President, RCA
586-2117 chipt@alaska.net