





**Resolution in opposition to proposed changes in PVSA interpretation by the
Department of Homeland Security**

WHEREAS, the visitor industry is an important economic engine of Alaska's private sector; and,

WHEREAS, the cruise industry delivers over 1,000,000 visitors annually to Alaska; and,

WHEREAS, the United States Department of Homeland Security, Bureau of Customs and Border Protection, is proposing to adopt a new interpretive rule that would require stops at an intervening foreign port to last at least 48 hours, to spend an amount of time at the foreign port that is more than 50 percent of the total amount of time at the United States ports of call, and to permit cruise ship passengers to disembark at the foreign port; and,

WHEREAS, it is not clear from the notice and publicity relating to the proposed rule change that the rule, if adopted, would be confined in its application to foreign-flagged vessels engaged in the Hawaiian cruise ship market; and

WHEREAS, application of the rule to the Alaska market would have devastating economic effects in the coastal communities of this state because the proposed revision of the interpretive rule would typically allow not more than one or perhaps two brief stops in ports of call in Alaska, thereby reducing or limiting port calls in some places and eliminating them in others; and,

WHEREAS, application of the proposed rule change to Alaska would diminish the attractiveness of Alaska as a cruise visitor destination; and

WHEREAS, there has been no attempt to quantify the economic impacts to Alaska's visitor industry; and

WHEREAS, this will harm Alaskan owned and operated businesses who provide services to cruise ship visitors and the cruise lines; and,

WHEREAS, application of the proposed rule change to the Alaska market would also significantly and dramatically reduce the shoreside employment and business opportunities in the communities in this state in which cruise ships currently call.

THEREFORE, BE IT RESOLVED, that the ALASKA TRAVEL INDUSTRY ASSOCIATION BOARD OF DIRECTORS is opposed to the proposed Department of Homeland Security's proposed rule because it would negatively impact Alaska businesses and communities.

Ron Pack, President & COO, Alaska Travel Industry Association



**CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY**

OFFICE OF THE MAYOR

Telephone: (907) 586-3246, Facsimile: (907) 586-3385
Mayor@Juneau.ak.us

December 19, 2007

**SUBMITTED ELECTRONICALLY VIA
Federal e-Rulemaking Portal at <http://www.regulations.gov>**

Border Security Regulations Branch
Office of International Trade
Customs and Border Protection
1300 Pennsylvania Avenue, NW (Mini Annex)
Washington, DC 20229

**Re: Proposed Interpretation
Docket Number USCBP-2007-0098 – Hawaiian Coastwise Cruises
Customs and Border Protection, Department of Homeland Security**

To Whom It May Concern:

The City and Borough of Juneau, Alaska, submits the following comments on the proposed interpretation of the Passenger Vessel Services Act described in the Federal Register Notice, Docket Number USCBP-2007-0098, entitled "Hawaiian Coastwise Cruises." The City and Borough of Juneau has significant concerns regarding the proposed interpretative rule.

The proposed interpretation is obviously intended to address an issue with the Hawaiian coastwise cruise industry. However, as drafted it is not limited to the Hawaiian cruise itineraries and instead would apply to all cruise itineraries subject to the Passenger Vessels Services Act. If adopted as now proposed, the interpretative rule would have drastic implications for not only the City and Borough of Juneau, but also all of the ports-of-call in Southeast Alaska.

Juneau, the Capital of Alaska, is a city of approximately 32,000 people, nestled between mountains and the waters of the Inside Passage. Tourism is a key element of our local economy. Juneau is one of the major ports-of-call for cruise ships traveling through Southeast Alaska. The economic impact of the cruise ship industry on our community is enormous – spending by thousands of visiting passengers and vessel crew; sales tax, passenger fee, and port fee revenues; employment in

cruise-related jobs; and property tax revenue associated with the industry – to name just a few of the economic impacts. In addition to Juneau, the ships make port calls in Ketchikan, Sitka, and Skagway, Alaska.

As drafted, the proposed interpretation would affect approximately one-third of the cruises to Southeast Alaska. The itineraries affected would be those cruises starting and ending in Seattle or San Francisco. The potential impact to Juneau of just the Seattle-Seattle cruise itineraries is approximately 175 port calls and 368,370 passengers.

Because of the distances involved, under the proposed interpretation it appears that it would only be possible for a cruise ship to make *one port call* in Southeast Alaska and still meet the three proposed criteria for what constitutes a "legitimate" foreign port call. The average cruise would have only four days for ships to choose between Ketchikan, Juneau, Sitka, or Skagway. The economic implications of such a change on Juneau and these other port cities would be very substantial. The economy of Southeast Alaska is still reeling from the downturn in the timber industry, and the fishing industry is struggling. Tourism, and importantly, the cruise ship industry, is vital to our local economy.

The most recent economic impact study on cruise tourism in Juneau showed that each passenger spends about \$186 in Juneau. The potential loss of 368,370 passenger visits translates into a *loss of direct spending in Juneau alone of over \$68 million*. The impact would reverberate through the economy. At our five percent sales tax rate, Juneau could experience a loss of \$3.4 million in sales tax revenue, jobs would be lost, and virtually every business would be affected.

Further, as proposed, the new interpretation would be in effect for the 2008 tourism season, which starts in May 2008 – a mere five months from now – which can hardly be considered sufficient time for the impacted local governments, businesses, employers, employees, and citizens throughout Southeast Alaska to prepare for such momentous change. In the long term, it is true that some of the cruises to Alaska now scheduled to depart or return to Seattle could be re-routed to start or end in Vancouver. This absolutely cannot happen by summer 2008 and, indeed, it is unlikely that Vancouver could accommodate all of the traffic now scheduled out of Seattle. Any reduction in cruise traffic to Alaska will have significant impacts to the Juneau economy.

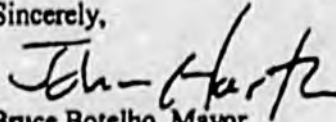
At a minimum, we urge that the proposed interpretation be modified to narrow its application to the situation intended to be addressed by the Bureau of Customs and Border Protection, *i.e.*, Hawaiian non-coastwise-qualified vessels. This can be accomplished by simply including a provision that the new interpretation applies only to non-coastwise-qualified vessels that embark and disembark at a U.S. port, and call on another U.S. port that is located West of 150 degrees longitude and South of 45 degrees North latitude.

In summary, the City and Borough of Juneau strongly urges the Bureau to reconsider the proposed interpretative rule. Given the significance of the proposal, we urge that the Bureau begin a process of collaboration with the affected parties to develop a reasonable approach, one that would not result in unnecessary and unintended impacts on other U.S. ports-of-call.

Border Security Regulations Branch
December 19, 2007
Page 3 of 3

Thank you for your attention to this important matter.

Sincerely,


For Bruce Botelho, Mayor
City and Borough of Juneau

cc: U.S. Senator Ted Stevens
U.S. Senator Lisa Murkowski
U.S. Representative Don Young
Governor Sarah Palin, State of Alaska
Mayor Bob Weinstein, City of Ketchikan
Mayor Joe Williams, Ketchikan Gateway Borough
Mayor Marko Dapceovich, City and Borough of Sitka
Mayor Thomas D. Cochran, Municipality of Skagway
Cathie Roemmich, CEO, Juneau Chamber of Commerce
Rod Swope, City Manager, City and Borough of Juneau
John Stone, Port Director, City and Borough of Juneau



KETCHIKAN GATEWAY BOROUGH

344 FRONT STREET • KETCHIKAN, ALASKA 99901

OFFICE OF THE BOROUGH MAYOR

December 17, 2007

Mr. Glen Vereb
Border Security Regulations Branch
Office of International Trade
Customs and Border Protection
1300 Pennsylvania Avenue, NW (Mint Annex)
Washington, DC 20229

Dear Mr. Vereb,

This is to express deep concern over the proposal by the U.S. Customs and Border Protection (CBP) to use new criteria to determine whether non-coastwise qualified vessels are in violation of the Passenger Vessel Services Act. The proposed new criteria were outlined in the Federal Register, Volume 72, No. 224, published November 21, 2007. Although only the Hawaiian cruise market was cited as the subject of the USCBP's action, the criteria would apply to other cruise itineraries including those in Alaska. As published in the Federal Register, the proposed rules state as follows:

CBP will presume that a stop at a foreign port is not a legitimate object of the cruise unless:

- (1) The stop lasts at least 48 hours at the foreign port;
- (2) The amount of time at the foreign port is more than 50 percent of the total amount of time at the U.S. ports of call; and
- (3) The passengers are permitted to go ashore temporarily at the foreign port.

Accordingly, CBP proposes to adopt an interpretive rule under which it will presume that any cruise itinerary that does not include a foreign port call that satisfies each of these three criteria constitutes coastwise transportation of passengers in violation of 19 CFR 4.80a(b)(1).

On a typical seven-day to ten-day cruise from Seattle to southeast Alaska, it is possible to have only one port call in southeast Alaska and still meet the three proposed criteria. According to Cruise Line Agencies of Alaska, the criteria proposed by the CBP could eliminate 158 port calls now scheduled for Ketchikan in 2008. That represents an estimated 334,370 passengers - more than one-third of the number of cruise-ship passengers projected to visit our community next year. With cruise-ship passengers spending an average of \$159 per person in Ketchikan, the loss in terms of direct spending alone is estimated to be \$53,104,830.

Mr. Glen Vereb
December 17, 2007
Page 2

If the new criteria are implemented, serious and far-reaching damage to our economy and the economies of other communities in Alaska will result. The loss of jobs, business revenues, and taxes would be devastating

I respectfully urge you to maintain the existing interpretation of the Passenger Vessel Services Act.

Sincerely,

Joe Williams
Mayor

The Honorable Ted Stevens, U.S. Senator for Alaska
The Honorable Lisa Murkowski, U.S. Senator for Alaska
The Honorable Don Young, Representative for Alaska
Greater Ketchikan Chamber of Commerce
Ketchikan Visitors Bureau



KETCHIKAN

Our lifestyle, your reward

December 18, 2007

W. Ralph Basham
Commissioner, Customs and Border Protection
Border Securities Regulation Branch
Office of International Trade, Customs and Border Protection
1300 Pennsylvania Avenue NW (Mint Annex)
Washington, DC 20229

RE: Proposed Rule Interpretation
Docket Number USCBP-2007-0098
Hawaiian Coastwise Cruises

Dear Mr. Basham,

I am writing on behalf of the Ketchikan Visitors Bureau, located in Ketchikan, Alaska to advise you of our concerns that the Bureau of Customs and Border Protection's proposed interpretation of the Passenger Vessel Services Act poses for the visitor industry in our community.

While I am aware that the focus of this issue is the Hawaii cruise trade, broad interpretation of the proposal could have profoundly damaging effects on a number of United States communities and businesses engaged in trade with international cruise line operators. The Ketchikan Visitors Bureau urges your consideration of these impacts.

Specific to Ketchikan, tourism is the largest private sector industry in our community. Cruise trade is the predominant sector with 36 ships making 496 port calls and bringing 899,538 passengers in 2007. Research conducted for the Ketchikan Visitors Bureau estimates that each passenger spends \$159.00 per day and total cruise industry spending during 2006 (passengers, cruise lines and crew member spending) generated \$145.5 million in economic impact for our community.

Due to Ketchikan's geographic location we were the last port of call for 57% of the cruise ships on Alaskan itineraries in 2007. Ships that home port in Seattle typically make a foreign port stop in British Columbia following their visit to Ketchikan. The majority of itineraries focus on 7 day cruises, which means that a 48 hour required stop could eliminate Ketchikan as well as other Alaskan destinations as a port of call.

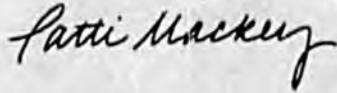
According to the 2008 preliminary cruise ship schedule, the proposed interpretation if enacted for Alaska bound ships could impact 158 port calls and visits by 334,370 passengers.

It is also worth noting, that the increase in the number of foreign flag ships using Seattle, WA as a port of embarkation for Alaska cruise itineraries has a direct effect on the potential impacts Ketchikan could face. And yet, the fact that the ships have made the move from Vancouver, BC to Seattle has actually increased US jobs, and revenues to the visitor industry in that city.

KETCHIKAN VISITORS BUREAU • 131 Front Street Ketchikan, Alaska 99901 • 907-225-6166
E-mail: pmackey@visit-ketchikan.com • www.visit-ketchikan.com

The Ketchikan Visitors Bureau does not presume to comment on the issue specific to the Hawaii cruise trade, but we urge you to exempt Alaska from the proposed interpretation of rules and appreciate your consideration of our concerns.

Sincerely,



Patti Mackey
Executive Director

C: Ketchikan Visitors Bureau Board of Directors
Alaska Congressional Delegation Office: of:
The Honorable Senator Ted Stevens
The Honorable Senator Lisa Murkowski
The Honorable Congressman Don Young
City of Ketchikan
Ketchikan Gateway Borough

AMENDMENT

OFFERED IN THE HOUSE
TO: CSSJR 12(STA)

BY REPRESENTATIVE JOHANSEN

1 Page 2, following line 20:

2 Ins new material to read:

3 "WHEREAS in order to enhance Alaska ports, money has been dedicated to federal,
4 state, and local infrastructure that would be underutilized if the proposed rule change were put
5 into effect; and"