

Dear Mayor Begich and Members of the Anchorage Assembly,

On behalf of the thousands of Anchorage Borough residents and other Alaskans who signed petitions to place the cruise ship ballot measure before voters this August 22nd, the sponsors of Ballot Measure 2 respectfully urge you to reject Resolution AR NO. 2006-166.

We do not dispute that the cruise industry contributes to the economies of Anchorage and other Alaska municipalities, although we believe the jobs and payroll figures provided in the resolution greatly exaggerate the value. Many cruise-related jobs are seasonal, minimum wage jobs staffed by non-Alaskans who take their earnings south at the end of the cruise ship season. Regardless, there is no point in arguing the specific figures presented in the resolution since there are in fact no provisions in the ballot measure that will harm either the cruise industry or Anchorage's tourism economy. There are, however, numerous misstatements, exaggerations, and errors of omission in AR NO. 2006-166 that demand refutation.

1. Page 1, Line 16: AR NO. 2006-166 states that the cruise industry serves "as a world-wide model for marine environmental standards..."

Virtually every major player in the industry is a convicted felon; for multiple felony counts on multiple occasions in the past few years. Some of the highest profile convictions resulted from actions by the industry in Alaska waters. These incidents were not accidents – the industry has repeatedly bypassed and disabled pollution control equipment, purposefully dumped hazardous materials overboard, and falsified logbooks to the U.S. Coast Guard. (Please see the attached list of recent convictions.)

2. Page 1, Line 19: AR NO. 2006-166 states that cruise ships are closely monitored by the Coast Guard and ADEC.

Cruise ships are the least regulated dischargers of significant volumes of wastes into State waters by ADEC, and according to the GAO (GAO/RCED-00-48) the Coast Guard has been unable to adequately monitor these ships regarding pollution control. This fact has been exacerbated by 9/11, which has required more of the Coast Guard's attention to be spent on national security matters.

Cruise ships are not required to obtain a permit to discharge, unlike all other industrial and municipal dischargers. They are only required to meet two Alaska Water Quality Standards (WQS,) for fecal coliform bacteria and total suspended solids. All other dischargers are required to meet all Alaska WQS and demonstrate their compliance through the submission of monthly reports describing the results of daily, weekly, and monthly sampling and monitoring. A case in point: the cruise lines are only required to submit one sample *per year* for determining the presence of metals, hydrocarbons, pesticides, solvents, and other contaminants in their wastewater, even though illegally dumping many of these pollutants led to their past felony convictions.

3. Page 2, Line 2: AR NO. 2006-166 states that Anchorage is not a "principal port of entry," and would therefore be ineligible to receive a portion of the tax receipts.

There is no term “principal port of entry” in the ballot measure, or any other language precluding Anchorage from receiving its just portion of the tax revenue.

4. Page 2, Line 10: AR NO. 2006-166 states that “Alaskans and Alaskan businesses” will be required to disclose amounts paid to the cruise ship or travel agent promoting their businesses.

The ballot measure requires no reporting by any Alaska shore-side business. It will be the cruise lines and their agents who must disclose their commission rates to passengers when promoting shore-side businesses. Alaska law (§AS45.50.474) has required commission disclosure since 1994, and there is significant evidence the industry has routinely failed to comply with the statute. Nevertheless, Ballot Measure 2 simply expands the disclosure requirement already in State law to include the amount of the commission. This will help locally-owned businesses, many of whom cannot afford to pay the industry’s demanded commission rate, which currently results in the lion’s share of shore-side revenue going to Outside-owned chain stores in many Alaskan ports.

5. Page 2, Line 15: AR NO. 2006-166 states that the observer program would “oversee Coast Guard and Marine Pilot operations of this industry.”

There is no such language in the ballot measure. The ballot measure states “...(b) The licensed marine engineer shall monitor, observe and record data and information related to the engineering, sanitation, and health related operations of the vessel...(c) Any information recorded or gathered by the licensed marine engineer shall be promptly conveyed to the Alaska Department of Environmental Conservation and United States Coast Guard. “

6. Page 2, Line 19: AR NO. 2006-166 states that the measure prohibits electronic data submission to the Coast Guard and requires hard paper copies.

The Ballot Measure contains no such language.

7. Page 2, Line 27: AR NO. 2006-166 states that the measure discourages growth of the industry.

As noted in the resolution, revenues raised from the head tax are required under federal law to be spent servicing the industry. This revenue will improve Alaska’s ports and harbors, providing more support for a vibrant, sustainable tourism industry.

8. Page 2, Line 31: AR NO. 2006-166 states that the taxes are “burdensome, duplicative, and non-productive.”

The \$50 head tax will not be a burden to the cruise passengers, who pay head taxes in ports of call worldwide. Passengers spend an average of \$3000 on their trip to Alaska in cruise tickets, plane tickets, hotels, restaurants, shopping, gambling, alcohol, tours, etc. \$50 represents a tax of ~1.5%. Compare this rate to the taxes Alaskans spend when traveling Outside for car rentals, hotel rooms, etc.

The taxes on total corporate income and gambling profits are not duplicative. In fact, the opposite is true. These taxes are already paid by all other corporations operating in Alaska, and by all legal gambling operations. The initiative provisions merely fill the loophole current law provides for this incredibly profitable industry. For perspective, the new taxes on

Carnival Cruise Lines will be ~15 million dollars/year. In 2005, Carnival made 2.3 *billion* dollars in profit, due in no small part to their foreign registration, which provides them with exemptions from U.S. federal income taxes and wage laws. Taxes from the ballot measure would have reduced the corporation's profits in 2005 to 2.285 billion dollars. A very modest tax in support of their own infrastructure cannot be considered a burden.

9. Page 2, Line 36: AR NO. 2006-166 states that Ballot Measure 2 will harm the economic well-being of Anchorage.

No mechanism is provided describing how this negative impact would occur. The \$50 tax will have no discernible impact on the number of passengers or ships visiting Alaska. Since the ships will continue to sail to our ports, the economic benefits of the industry will continue to be enjoyed.

Meanwhile, the cruise lines continue to invent new ways to share less of the profits from their industry with us every day as they sell Alaska to the rest of the world. For example: the cruise lines now sell a "Direct to Denali" trip that circumvents the downtown Anchorage business district. Instead of stopping in Anchorage to shop and eat, passengers take a chartered train directly to the Princess-owned Denali Hotel, where they eat in the Princess-owned restaurant and shop in the Princess-owned gift shop. When they need overnight accommodations or bus transportation elsewhere in the State they stay in Westmark Hotels and ride Gray Line busses, now owned by Holland America. They include the revenue earned from these subsidiaries in their "Alaska income" figures.

In summary: AR NO. 2006-166 inaccurately reflects the intent and effect of Ballot Measure 2 on virtually every point. It has been drafted to support the political agenda of the Miami-based cruise lines, whose best interests include circumvention of our pollution standards, forcing local communities to pay for the industry's impacts through local taxes, and favoring their own businesses over Alaska-owned businesses to send as high a percentage of cruise industry-related revenue as possible out of our State.

AR NO. 2006-166 is not in the best interest of Anchorage or the rest of Alaska. As elected officials it is your responsibility to verify the accuracy of the statements in the resolution before you vote. I have attached a copy of Ballot Measure 2 and several supporting documents to this memo to facilitate your analysis. Many other relevant documents are available on our website www.responsiblecruising.org.

Sincerely

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