

Memorandum

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OFFICE OF THE SECRETARY
FEDERAL MARITIME COMM

TO : Bryant L. VanBrakle, Secretary

DATE: May 16, 2003

FROM : Rebecca F. Dye, Commissioner

SUBJECT : Docket No. 02-15 - Passenger Vessel Financial Responsibility meeting with Norwegian Cruise Line (NCL).

On May 15, 2003, I met with Mr. Colin Veitch, President and Chief Executive Office of NCL, Mr. Robert M. Kritzman, Senior Vice President of NCL, and Mr. Bill Myhre of the law firm Preston/Gates/Ellis & Rouvelas/Meeds at their request to receive their views on the Federal Maritime Commission's proposed regulations on passenger vessel financial responsibility.

Mr. Veitch generally discussed his company's strong opposition to the FMC's notice of proposed rulemaking on Passenger Vessel Financial Responsibility, Docket No. 02-15. Specifically, Mr. Veitch said that the proposal to lift the \$15 million ceiling on required passenger vessel financial responsibility for performance would greatly slow his company's growth in the North American cruise market and put his company at a competitive disadvantage to larger passenger vessels operators currently operating in this market.

Mr. Veitch explained that his company was planning a major expansion in the North American cruise market and plans to have five vessels operating under the U.S.-flag by 2007. He said that raising the \$15 million ceiling on financial responsibility would require NOL to secure a substantially larger bond to cover the company's unearned passenger revenue. This bond would have to be fully collateralized resulting in a large reduction in NOL's working capital. Mr. Veitch said that this reduction in capital would require NOL to postpone building two cruise ships.

Mr. Veitch noted that three cruise lines control 90 percent of the North American cruise market. NOL is the smallest of these lines and controls approximately 10 percent of the market. The other

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larger cruise lines have already completed large vessel building programs thus greatly reducing their future capital needs. If NOL's growth is affected, Mr. Veitch said that the company's competitive position in relation to the other two cruise lines will be harmed. Mr. Myhre said that the Commission should assess the competitive impact of this new regulation on the American cruise market.

Mr. Veitch also expressed the view that passengers are not at risk of losing their advanced cruise vacation payments under current FMC regulations. NOL notes that credit card companies currently pay for the non-delivery of goods beyond the 60 day period mentioned in the regulation. The vast majority of cruise passengers use credit cards to pay for a cruise in advance. Mr. Veitch did state that NOL would not oppose raising the \$15 million ceiling to adjust for inflation since 1991.

Mr. Myhre discussed current U.S. bankruptcy provisions that protect consumers, up to a specified dollar amount, from nonperformance.

Mr. Veitch confirmed that the information, including more specific confidential financial information, presented during this meeting will be included in the written docket by NOL before the end of the proposed rule's comment period.